

STATE LEVEL HEALTH INSURANCE REFORMS / RATINGS

The following describes state-level market reforms that have been enacted with respect to both the individual and small group health insurance markets.

State	Individual Market Reforms			Small-Group Market Reforms				
	Guaranteed Issue	Pre-Existing Conditions (look back/exclusion period)	Rating Structure	Group Size		Guaranteed Issue	Pre-Existing Conditions (look back/exclusion period)	Rating Structure
				Min.	Max.			
Alabama		none	NRS	2	50	GI	6/12	+/- 20%
Alaska		none	NRS	2	50	GI	6/12	+/- 35%
Arizona		none	NRS	2	50	GI	6/12	+/- 60%
Arkansas		none	NRS	2	50	GI	6/12	+/- 25%
California		12/12	NRS	2	50	GI	6/6	+/- 10%
Colorado		none	NRS	1	50	GI	6/12	ACR ¹
Connecticut		12/12	NRS	1	50	GI	6/12	ACR ²
Delaware		none	NRS	1	50	GI	6/12	+/- 35%
Florida		6/12	NRS	1	50	GI	6/12	+/- 15% ³
Georgia		none	NRS	2	50	GI	6/12	+/- 25%
Hawaii		none	NRS	1	50 ⁴	GI	none	NRS
Idaho		6/12	+/- 50%	2	50	GI	6/12	+/- 50%
Illinois		⁵	NRS	2	50	GI	6/12	+/- 25%
Indiana		12/12	NRS	2	50	GI	6/9	+/- 35%
Iowa		12/12	+/- 20%	2	50	GI	6/12	+/- 25%
Kansas		none	NRS	2	50	GI	6/3	+/- 25%
Kentucky		none	35% ⁶	2	50	GI	6/12	+/- 35%
Louisiana		12/12	+/- 20%	3	35	GI	6/12	+/- 33%
Maine	GI	6/12	ACR ⁷	1	50	GI	6/12	ACR

¹ Colorado passed small group reform legislation in 2003. Beginning 9/1/03 the premiums may be issued below the index rate by up to 15% and effective 9/30/04 the rates may expand to up to 10% above the index rate and 25% below based on smoking status, claims experience, health status, and industrial classification.

² Connecticut allows adjustment for age, gender, geography, group size, family, and industry.

³ The rating variation is based on a carrier's approved rate.

⁴ Hawaii does not have a statute that defines the size of their small group market. Most carriers define it as 1-50 however some use the definition of 1-100. Individuals who attempt to obtain coverage, as a business group of one must satisfy criteria set by the carrier. The state does not have a rating structure but all rates must be reasonable for the coverage provided. Hawaii has an employer mandate for individuals working over 20 hours per week. Effective 1/1/03 rate must be prior approved by the Department.

⁵ A carrier can look back 12 months if a claim is filed with the first 2 years of coverage and if the condition is determined to be pre-existing, can impose a 2 year exclusion.

⁶ Effective 1/1/03 individual rates may not vary from the index rate by more than 35%.

State	Individual Market Reforms			Small-Group Market Reforms				
	Guaranteed Issue	Pre-Existing Conditions (look back/exclusion period)	Rating Structure	Group Size		Guaranteed Issue	Pre-Existing Conditions (look back/exclusion period)	Rating Structure
				Min.	Max.			
Maryland		6/12	NRS	1	50	GI	0	ACR ⁸
Massachusetts		6/6	ACR	1	50	GI	6/6	ACR ⁹
Michigan		6/12	NRS	2	50 ¹⁰	GI	6/12 ¹¹	NRS
Minnesota		6/12	+/- 25%	2	50	GI	6/12	+/- 25%
Mississippi		12/12	NRS	1	50	GI	6/12	+/- 25%
Missouri		none	NRS	3	25	GI	6/12	+/- 25%
Montana		36/12	NRS	2	50	GI	6/12	+/- 25%
Nebraska		none	NRS	2	50	GI	6/12	+/- 25%
Nevada		none	50%	2	50	GI	6/12	+/- 30%
New Hampshire		3/9	RB	1	100 ¹²	GI	3/9	ACR
New Jersey	GI	6/12	C	2	50	GI	None/ 6/6 ¹³	ACR
New Mexico		6/6	NRS	2	50	GI	6/6	+/- 25%
New York	GI	6/12	C	2	50	GI	6/12	C ¹⁴
North Carolina		12/12	NRS	1	50	GI	6/12	+/- 20%

⁷ Rates can be adjusted +/- 20% from the community rate for age, geography, occupation, and smoking status.

⁸ Rates can be adjusted +/40% from the community rate for age and geography.

⁹ Allowable characteristics include age, industry, group size, family composition, participation rate, wellness program participation, and participation in the small employer reinsurance plan. Geography can be added as an adjustment of +/- 20%.

¹⁰ Michigan passed small group reform legislation in 2003. Effective 1/23/04 the small group definition will be 2-50 with a separate class for sole proprietors. Until 12/31/04, BCBSM may impose a 35% high/15% low variation from the geographic rate for small groups. After 1/1/05, the limit will be 35%. For commercial carriers who issue small group plans before 1/23/04, a maximum of 55% rate variation may be imposed until 12/31/05. After 1/1/06, the maximum will be 45%. Commercial carriers and BCBSM may impose an open enrollment period for sole proprietors and impose a 6/6 exclusion period for pre-existing conditions. Currently BCBSM must GI issue coverage for small groups and sole proprietors and use an ACR while commercial carriers are not subject to rating restrictions.

¹¹ Fully insured plans may impose an exclusion period. HMOs and BCBSM may not impose exclusion. Commercial carriers providing individual health plans may impose a 6/12 exclusion period.

¹² Effective 1/1/04 (SB 110) the small group definition will change to 2-50. Carriers operating in the state will be allowed to medically underwrite individuals and small groups, factoring health status and prior claims. Allowable characteristics include age (4:1), health status, and geography. Currently NH uses an adjusted community rate for both the small group and individual markets and carriers are required to offer an open enrollment period to GI products for individuals.

¹³ New groups sized 2-5 are subject to a 6/6 pre-existing exclusion but other small groups are not subject to an exclusion period. Late enrollees in groups 2-50 may also be subject to a 6/6 pre-existing condition waiting period. NJ allows age, gender, and geography to factor in the rating with a maximum variation from the community rate of 2:1. Individual plans are community rated.

¹⁴ The community rate is based on geography.

State	Individual Market Reforms			Small-Group Market Reforms				
	Guaranteed Issue	Pre-Existing Conditions (look back/exclusion period)	Rating Structure	Group Size		Guaranteed Issue	Pre-Existing Conditions (look back/exclusion period)	Rating Structure
				Min.	Max.			
North Dakota		6/12	RB	2	25 ¹⁵	GI	6/12	+/- 20%
Ohio		6/12	NRS	2	50	GI	6/12	+/- 35%
Oklahoma		none	NRS	2	50	GI	6/12 ¹⁶	+/- 25%
Oregon		6/6	ACR ¹⁷	2	25	GI	6/6	ACR
Pennsylvania			NRS/C	2	50 ¹⁸	GI	6/12	NRS/C
Rhode Island		none	NRS	1	50	GI	none	ACR/10%
South Carolina		¹⁹	NRS	2	50	GI	6/12	+/- 25%
South Dakota		12/12	30% ²⁰	2	50	GI	6/12	+/- 25%
Tennessee		none	NRS	2	50	GI	6/12	+/- 35%
Texas		none ²¹	NRS	2	50	GI	6/12	+/- 25%
Utah		6/12	+/- 30%	2	50	GI	6/12	+/- 30%
Vermont	GI	6/12	C	1	50	GI	6/12	C ²²
Virginia		6/12	NRS	2	50	GI	6/12	NRS/20% ²³
Washington		6/9	ACR	1	50	GI	6/12	ACR ²⁴
West Virginia		none	30% ²⁵	2	50	GI	6/12	+/- 30%
Wisconsin		none	NRS	2	50	GI	6/12	+/- 30%
Wyoming		6/12	NRS	2	50	GI	6/12	+/- 35%

¹⁵ Rate restrictions apply to groups 2-25. All other small group laws apply to groups up to 50.

¹⁶ HMOs cannot impose an exclusion period.

¹⁷ Individual rates are established based on geography and a carrier can factor age, benefit design, and family composition in the rate. Rates for small groups sized 2-25 may not vary more than the geographic average rate by more than 33%. All other small group laws apply to groups up to 50.

¹⁸ Pennsylvania does not have a specific statute that defines the small group size or rate restrictions. Most carriers use the 2-50 definition. Pennsylvania has a carrier of last resort that offers coverage on a GI and community rated basis for individuals. Other carriers are not subject to rating restrictions in the individual market.

¹⁹ HMOs may impose a 12/12 pre-existing condition exclusion period. Indemnity plans vary based on date of issue.

²⁰ Carriers may adjust rates within a class of business by up to 30%. Rates may not vary between classes of business by more than 20%. Rate factors include age (5:1), gender, lifestyle, family composition, and geography.

²¹ Individual plans (non-HMO) can exclude a condition for up to 2 years if a condition is specifically designated on an application form.

²² Effective 1/1/03 no carrier may deviate from the community rate which use age and gender rate factors.

²³ Rate restrictions apply only to standard plans and may not deviate from the carrier's filed community rate by more than +/- 20% for claims experience, health status and duration of coverage for similar groups. Allowable factors include age, gender, and geography.

²⁴ Allowable rate factors include age (up to 375%), geography, and wellness (up to 20%).

²⁵ Premium rates, after adjustments for co-payments, deductible and benefit differences, may not exceed 30% for premiums charged by the carrier for other major medical individual policies for individuals with similar characteristics and factors.

EXPLANATION OF TERMS

Individual Market Reforms

Indicates the reforms each state has adopted with respect to their individual health insurance markets. States with guarantee issue are designated by GI. The time a state allows a pre-existing condition to be excluded from coverage (look back period/exclusion period) and the rating structure are designated. ‘NRS’ denotes no mandatory rating structure, ‘C’ denotes community rating, ‘ACR’ denotes adjusted community rating, ‘RB’ denotes a rate band restriction but specific percentages were unavailable, and other indexed rates are listed as they appear in statute or are defined by the Department of Insurance. If a percentage is noted, that is the percentage a carrier is allowed to increase rates based on medical underwriting criteria. Age band restrictions, such as 4:1, denote a limitation on including age as a factor. 4:1 would limit the rate increase for the highest age category to four times the maximum allowable for the lowest age category.

Small Group Market Reforms

Indicates the reforms each state has adopted with respect to their small group health insurance markets. States with guarantee issue are designated by GI. The time a state allows a pre-existing to be excluded from coverage (look back/exclusion period) and the rating structure for small employers with similar characteristics are designated. ‘NRS’ denotes no mandatory rating structure, ‘C’ denotes community rating, ‘ACR’ denoted adjusted community rating, ‘RB’ denotes a rate band restriction but specific percentages were unavailable, and other indexed rates are listed as they appear in statute or are defined by the Department of Insurance. If a percentage is noted, that is the percentage a carrier is allowed to increase rates based on medical underwriting. Lastly, how a state defines small group is designated. Age band restrictions, such as 4:1, denote a limitation on including age as a factor. 4:1 would limit the rate increase for the highest age category to four times the maximum allowable for the lowest age category.