



INSURANCE COMMISSIONER
State of Oklahoma

BULLETIN NO. LH 2015-01

TO: Insurers Writing Small Group Health Insurance in Oklahoma

RE: Oklahoma Small Group Health Non-SHOP Composite Rating

FROM: Oklahoma Insurance Department

DATE: August 20, 2015

EFFECTIVE: Immediately – for use in preparing 2016 small group health rates

The purpose of this bulletin is to inform all health carriers and health maintenance organizations (insurers) that an optional use of composite premium rating in the small group, non-SHOP market, as defined in 42 U.S.C. § 18024(a)(3), has been approved by the Centers for Medicare and Medicaid Services (“CMS”) for Oklahoma for the 2016 plan year.

Composite Premium Rating in the Small Group Market

Insurers in the small group market may utilize composite premium rating rather than per-member premium rating provided insurers make such premium development methodology available to each small group employer in the market. Federal regulations require that the group health plan’s sum of composite premiums equal the sum of per-member premiums based on final census and plan selection up to such time as the effective date of issuance or renewal of coverage. Once the insurer establishes a small group’s aggregate premium, it is not subject to change during the plan year.

The Oklahoma tiered-composite rating methodology is available to all small employer groups regardless of size. This does not preclude insurers from explaining the risks associated with offering composite premiums to very small groups and encouraging them to opt for per-member premium billing.

Additionally, insurers should be aware, in the absence of any change to applicable federal regulations, the definition of a small employer will change based on the average of at least one, but not more than one hundred, employees on business days during the preceding calendar beginning January 1, 2016. See 45 C.F.R. § 155.20.

Methodology

As required by 45 C.F.R. § 147.102(c)(3), the premium charged for each covered employee and covered dependent(s) is determined as follows:

- 1) Calculate the group aggregate premium as the sum of the per member premium for each adult over the age of 21 plus the sum of the per member premium for the three oldest dependents below the age of 21.
- 2) The group aggregate premium must be allocated to covered employees based on the following tier factors applicable to each covered employee's family composition:
 - Employee Only =1
 - Employee + Spouse= 2
 - Employee + Dependents (eligible dependents to age 26) = 2
 - Employee + Family (spouse and eligible dependents to age 26) = 3
- 3) The employee premium is calculated in this manner: $\text{employee premium} = \frac{\text{group aggregate premium}}{\text{weighted employee count}} \times \text{employee tier factor}$.
- 4) A tobacco use factor is not permitted in the development of the family composite premium. If a tobacco use factor is used it must be applied to the specific individual and added to the monthly premium for that individual.

Questions or comments applicable to this bulletin should be directed to Frank Stone (frank.stone@oid.ok.gov) or to Mike Rhoads (mike.rhoads@oid.ok.gov), Oklahoma Insurance Department, Five Corporate Plaza, 3625 NW 56th, Suite 100, Oklahoma City, OK 73112.