

Student Health Questions & Answers:

The following questions and answers are included as illustrative examples based on feedback received from insurers. The questions and answers are not intended to be exhaustive; rather, they are provided to help clarify the circumstances raised by each question.

Q1. Will both the Public Manual Rate Filing PDF and Public Specific Named Group Filing PDF, with appropriate redactions, be made public in its entirety?

A1. Yes, once all Manual Rate Filings have been acknowledged, the Public Manual Rate Filing PDFs will uniformly be made public. After the Public Manual Rate Filing PDFs have uniformly been made public, the Public Specific Named Group Filing PDFs will be made public once acknowledged. Per the Student Health Insurance Rate Filing Guidance, the Department anticipates the only redacted items will be AV screenshots, opining actuary’s name, specific provider contracting information, and commission schedules.

Q2. To what extent are multiple risk pools allowed for the manual rate portion of the premium development? Would it be permissible to split the manual pool between undergrads and graduates?

A2. Different sets of manual claims are only allowed when separating undergrad and graduate students into two different risk pools. Once a manual dataset is chosen for undergrad or graduate, that same manual dataset must be used for all schools. For example, the undergrad manual dataset used at School A must be used for School B’s undergrad manual dataset. For each school, the manual dataset may be adjusted by the allowable adjustment factors (age, geography, and tobacco).

For One School:

Risk Pool: Undergrad		Risk Pool: Graduate	
School Claims (Undergrad):	\$100	School Claims (Grad):	\$300
Manual Claims (Dataset 1):	\$130	Manual Claims (Dataset 2):	\$340
Credibility:	50%	Credibility:	75%
Final Claims:	\$115	Final Claims:	\$310

For Two Different Schools:

School:	School A	School B
Risk Pool:	Undergrad	Undergrad
Manual Dataset	Dataset 1	Dataset 1

Q3. Is it permissible to create tiers that charge a spouse a different premium than the student? Is it permissible to charge a different rate for each child, including charging less for a second or third child added to the plan? For example, would the tiering methodology on this table be allowed?

Tier	Premium
Student	\$437.98
Student/Child	\$941.91
Student/Children	\$1,286.36
Student/Spouse	\$941.91
Family	\$1,286.36

A3. 1. In Section D.2.14 of the guidance, it describes three methods that can be used to rate students, spouses, and dependents. In methods (i) and (ii), a spouse must be charged the same rate as the student. In method (iii), a separate rate is developed for each insured, so it is possible that a spouse could have a different rate from the student, depending on their respective ages and tobacco use.

2. Dependent children are also charged the same rate as the student and spouse under rating method (i). Under rating method (ii), each child dependent will have the same rate as all other child dependents, but the rate will be different from the student and/or spouse. Appendix 1 shows how the rating factor for child dependents is developed based on the child age distribution of the school. An insurer cannot charge less for a second child added to the plan, unless a 1-child max is selected for all schools. An insurer cannot charge less for a third child added to the plan, unless a 2-child max is selected for all schools.

3. The tiering methodology shown in the table would not be allowed because it does not comply with any of the three permissible rating methods.

Q4. In a prior year’s draft guidance, the Department states that pure community rating is a permissible method for developing the premium rate charged for coverage and provides the following example: For family coverage, the family’s premium would be the student’s rate multiplied by the number of people on the plan up to a limit of 3 covered children under 21 years of age. In this example, are schools required to have a separate charge/tier for all 3 dependents under 21 or would they be allowed to cap at a number below 3? Would the following rate table, in which the contract is not charged an additional \$346.35 for a third child, be permissible?

Tier	Rate
Student	\$346.35
Student + 1 Child Under 21	\$692.70
Student + 2 or more Children Under 21	\$1,039.05

A4. The Department’s guidance has been revised to reflect insurer feedback. The insurer may now select a rating structure that incorporates a 1-child max, 2-child max or a 3-child max, and this structure will apply to all institutions to which the insurer offers coverage. Therefore, the rate table provided would be permissible if the insurer chose to incorporate a 2-child max, with the caveat that a spouse should also be accounted for. The following rate tables show how community rating should be applied; in each example, the student’s rate is \$100.

1-child max	
Student	\$100
Student + 1 Child Under 21	\$200
Student + 1 or more Children Under 21	\$200
Student + Spouse	\$200
Student + Spouse + 1 Child Under 21	\$300
Student + Spouse + 1 or more Children Under 21	\$300

2-child max	
Student	\$100
Student + 1 Child Under 21	\$200
Student + 2 or more Children Under 21	\$300
Student + Spouse	\$200
Student + Spouse + 1 Child Under 21	\$300
Student + Spouse + 2 or more Children Under 21	\$400

3-child max	
Student	\$100
Student + 1 Child Under 21	\$200
Student + 2 Children Under 21	\$300
Student + 3 or more Children Under 21	\$400
Student + Spouse	\$200
Student + Spouse + 1 Child Under 21	\$300
Student + Spouse + 2 Children Under 21	\$400
Student + Spouse + 3 or more Children Under 21	\$500

Q5. Are we required to utilize the same credibility formula for all schools?

A5. The guidance states, “A credibility formula should be provided. The determination of the credibility weights assigned to plan experience that is not fully credible should be provided, as well as a demonstration that the credibility formula is reasonable and yields consistent results over time.” Only one credibility formula should be established, and therefore the same credibility formula should be utilized for all schools.

Q6. Will the weighting of experience period claims by year need to follow the same formula for all schools if multiple years are used?

A6. As mentioned above, one credibility formula should be established, and therefore the same credibility formula should be utilized for all schools. The same weighting method should be utilized for all schools, although the weights used for each school do not have to be identical.

Q7. Has the Department established a profit margin cap and/or floor on student plans? If so, what are those amounts?

A7. A uniform profit load between 0% and 2% should be selected and then used in rating all schools.

Q8. Are we permitted to charge a virgin domestic business load to groups with no prior coverage? If so, must it be

the same percentage for all schools?

A8. No, a virgin domestic business load should not be applied.

Q9. Will schools be allowed to subsidize each rating tier differently or will the Department require that a consistent dollar/percentage subsidy be applied to each rating tier? For example, would the school-subsidized premium in the following table be allowed given the filed premium (where there is no pattern in the subsidy)?

Tier	Filed Rate	Subsidy Applied	Final Rated Charged to Student
Student	\$100	\$30	\$70
Student + 1 Child Under 21	\$200	\$80	\$120
Student + 2 or more Children Under 21	\$300	\$140	\$160
Student + 3 or more Children Under 21	\$400	\$210	\$190

A9. The Department does not regulate the subsidies that schools choose to provide toward their students' health plans. As a result, the school is not obligated to apply subsidies uniformly over the various rating tiers. However, the subsidies provided by the school should have no effect on the premium paid to the insurer.

Given the provided example:

If an insurer is covering 100 single students, and 100 students with one child under 21, the premium received by the insurer should total $(100 * \$100) + (100 * \$200) = \$30,000$. Note that the premium received by the insurer is dependent only on the filed rate.

Q10. If schools are pooled together to calculate an overall rate increase, are we permitted to then rate each school separately by applying the overall rate increase percentage to an individual school's rate from the prior year or are we required to issue each school the same rate PMPM? By way of illustration, the table below sets forth our understanding of how the rate increase should be applied when schools are pooled together.

School	Current Single Rate	Renewal Single Rate	% Increase
A	\$383.12	\$201.08	-47.5%
B	\$151.00	\$201.08	33.2%
C	\$199.00	\$201.08	1.0%
D	\$134.93	\$201.08	49.0%

As you can see, requiring a single rate for all of the pooled schools would result in significant disparity among the schools, ranging from a decrease of 47.5% to an increase of 49%. In order to mitigate the vast range demonstrated above, are carriers permitted to apply a uniform percentage increase to each of the schools as demonstrated below?

School	Current Single Rate	Renewal Single Rate	% Increase
A	\$383.12	\$400.48	4.53%
B	\$151.00	\$157.75	4.53%
C	\$199.00	\$208.01	4.53%
D	\$134.93	\$141.04	4.53%

A10. It is permissible for an insurer to pool multiple schools for the purpose of developing a rate, not a rate increase. Therefore, your understanding (detailed in the first table) of how rates should be developed across

pooled schools is correct; all schools within the pool should receive the same base rate. Additional adjustments for the allowable factors, such as geography and age, may still be used. Because of this, the final rates may differ between schools within a pool.

Q11. One of our schools uses a three-tiered rate structure based upon the number of people enrolled. Please see the example below for clarification. Would this be acceptable under current guidance.

**SAMPLE CALCULATION OF FAMILY TIER FACTORS
BASED ON SCHOOL DATA**

COLUMN	A	B	C
Age Band	Age Factor (From Default Age Curve)	Number of Dependent Children	Age Factor x # of Dep.
0 - 14	0.765	30	22.950
15	0.833	5	4.165
16	0.859	2	1.718
17	0.885	0	0
18	0.913	0	0
19	0.941	0	0
20	0.970	0	0
Total		37	28.833
Weighted Dependent Factor	0.779	Weighted Dependent Factor = Column C Total / Column B Total	

Tier Factor = 1.000 x # of Adults + 0.779 x # of Child Dependents (up to 3)	
a	1.000 = Tier Factor for Student
b	1.779 = Tier Factor for Student + 1 Dependent Child
c	2.559 = Tier Factor for Student + 2 Dependent Children
d	3.338 = Tier Factor for Student and 3 or more Dependent Children
e	2.000 = Tier Factor for Student and Spouse
f	2.779 = Tier Factor for Student, Spouse, and 1 Dependent Child
g	3.559 = Tier Factor for Student, Spouse, and 2 Dependent Children
h	4.338 = Tier Factor for Student, Spouse, and 3 or more Dependent Children

Example 3 Tier Factor Development

=a	1.000	= Tier Factor for Student
=average(b,e)	1.890	= Tier Factor for Student Plus 1 (Average from above as demonstrated)
=average(c,d,f,g,h)	3.314	= Tier Factor for all other coverages

A11. No, this three-tiered structure would not be consistent with current guidance. In Section D.2.14. of the Student Health Guidance, three methods are offered: (i) pure community rating with charges for only the oldest (or 2, or 3) child(ren) under the age of 21, (ii) community rating with charges for only the oldest (or 2, or 3) child(ren) under the age of 21 but the children’s’ rate could be lower than the student/spouse rate, and (iii) rates that reflect individual ACA market rules with the charges for only the oldest (or 2, or 3) child(ren) under the age of 21. The three-tiered rate structure illustrated above is not compatible with any of the three options.

Q12. Will ranges be allowed for administrative costs including profit margin so that different schools may be charged different amounts?

A12. The Department recognizes that some administrative functions may be performed by the school or the broker. As a result, a range of administrative costs may be allowed. However, administrative costs should be supported, beginning with an average rate. If any schools are anticipated to deviate from that rate, a list of schools and the corresponding administrative functions that are being performed by each school should be provided. Please remain cognizant that while administrative functions are permitted to vary with proper support, an 80% MLR must still be maintained for all schools. This applies only to administrative costs. For more information on profit margin, please reference question #7 above.

Q13. When developing a school's rate, to what extent are carriers permitted to adjust a manual claims rate based on the following factors:

- Age
- Geography
- Gender
- Graduate v. Undergraduate
- International v. Domestic
- Tobacco

A13. The manual rates may be adjusted for age, geography and tobacco. (While tobacco use is a permissible adjustment under the law, it is not anticipated that a student population will be likely to demonstrate actuarially significant differences in claims due to tobacco use.)

Q14. Under the pure community rating, are the following tier factors acceptable?

Tier	Factor
Student	1.000
Student/Child	2.000
Student/Spouse	2.000
Family*	3.000

*Family means student plus at least two dependents. This includes both student/2+ children (no spouse) and student/spouse/all children. We believe it complies by using pure community rating on each person, and none of the tiers using children charge for more than 3 children under age 21.

A14. Under pure community rating, there is a separate charge for each family member. For family coverage, the family's rate would be the student's rate multiplied by the number of individuals, including the oldest covered child (or 2 oldest covered children, if a 2-child max is selected, or 3 oldest covered children, if a 3-child max is selected) under 21 years of age; if a family includes more than 1 (or 2, or 3) such child(ren), the rate will not reflect the children in excess of 1 (or 2, or 3). Thus, the family tier factor of 3.000 would be acceptable for a family contract that contains a student, spouse and 1+ children given that the 1-child max is selected. For a 1-child max, the family tier factor of 3.000 would not be acceptable for a structure of student and 1 or more children. For this structure (Student + Children), the acceptable factor would be 2.000.

For more information regarding community rating tiering factors, please reference Question 4. Remain cognizant that only one method may be included in the Rate Manual. If the insurer selects the 2-child max, this would apply to all schools for which the insurer provides coverage. The same would be the case for the 3-child max. The insurer

should include a statement in the Rate Manual regarding the 1-, 2- or 3-child max it intends to use in rating allschools.

Appendix 1:

**SAMPLE CALCULATION OF FAMILY TIER FACTORS
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COLUMN	A	B	C
Age Band	Age Factor (From Default Age Curve)	Number of Dependent Children	Age Fact x # of Dep
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17	0.885	0	0
18	0.913	0	0
19	0.941	0	0
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Total		37	28.833
Weighted Dependent Factor	0.779	Weighted Dependent Factor = Column C Total / Column B Total	

Tier Factor = 1.000 x # of Adults + 0.779 x # of Child Dependents (2-child max)
1.000 = Tier Factor for Student
1.779 = Tier Factor for Student and 1 Dependent Child
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2.000 = Tier Factor for Student and Spouse
2.779 = Tier Factor for Student, Spouse and 1 Dependent Child
3.559 = Tier Factor for Student, Spouse and 2 or more Dependent Children

Tier Factor = 1.000 x # of Adults + 0.779 x # of Child Dependents (3-child max)
1.000 = Tier Factor for Student
1.779 = Tier Factor for Student and 1 Dependent Child
2.559 = Tier Factor for Student and 2 Dependent Children
3.338 = Tier Factor for Student and 3 or more Dependent Children
2.000 = Tier Factor for Student and Spouse
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