



**Student Health Insurance
Rate Filing Guidance**
Pennsylvania Insurance Department
For Plan Year 2022-2023

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Revisions

1. Section B.1 Timeline now includes the website URL to locate all guidance, exhibits, and submission due dates.
Web URL: <https://www.insurance.pa.gov/Companies/ProductAndRateRequire/Pages/default.aspx>
2. Rate Manual filings are due by 2/9/2022.

A. Student Health Insurance

Under 45 C.F.R § 144.103 and § 147.145, student health insurance is defined as a type of individual market health insurance coverage offered to students and their dependents under a written agreement between an institution of higher education and an issuer. Student health insurance is also considered individual insurance under 40 P.S. § 3801.301 et seq.; the Department does not consider student health insurance to be blanket insurance, and it is not deregulated.

Therefore, in accordance with state and federal law, the Pennsylvania Insurance Department will review student health insurance forms as individual coverage. Student health insurance must include all required provisions and state mandates that apply to individual coverage and must comply with all applicable federal laws. Please note that student health forms should not contain any language referencing ERISA, as ERISA is group coverage specific. The only federal laws applicable to individual health insurance that are modified in their application to student health insurance are those described in 45 C.F.R § 147.145(b). The two modifications pertinent to form filings involve guaranteed availability and guaranteed renewability, in §147.145(b)(1), as follows:

- (ii) For purposes of section 2702 of the Public Health Service Act, a health insurance issuer that offers student health insurance coverage is not required to accept individuals who are not students or dependents of students in such coverage, and, notwithstanding the requirements of §147.104(b), is not required to establish open enrollment periods or coverage effective dates that are based on a calendar policy year or to offer policies on a calendar year basis.
- (iii) For purposes of section 2703(a) of the Public Health Service Act, a health insurance issuer that offers student health insurance coverage is not required to renew or continue in force coverage for individuals who are no longer students or dependents of students.

B. General Instructions

This document outlines the rate filing requirements and expectations for all fully insured health insurance plans offered in Pennsylvania. Together, these required filings (the Rate Manual Filing and the Specific Named Group Filing) and the accompanying Student Completeness Checklist must be filed annually for review and acknowledgement. Following this guidance and submitting the Student Completeness Checklist with the rate filings will facilitate an efficient review.

1. Timeline

Rate filings must be submitted in a two-part process. First, the insurer must submit a rate filing that includes an actuarial memorandum and a rate manual (“the Rate Manual Filing”) by **February 9th, 2022**. **For all relevant student health information, please go to the Department’s website, <https://www.insurance.pa.gov/Companies/ProductAndRateRequire/Pages/default.aspx>.** The Department expects to review and acknowledge Rate Manual Filings within seven weeks of the submission date. Insurers may enter into plan design negotiations with institutions of higher education during the Department’s review, advising the institution that some changes may be required.

The Department acknowledges that insurers may engage in a negotiation process with institutions of higher education to determine the benefit package, and therefore may not be able to submit “Specific Named Group” proposed rates until after the benefit negotiation process is completed, often in the spring.

Second, the insurer must submit a “Specific Named Group” rate filing within seven days of quoting the rate to the institution, with the caveat, “The rates are subject to Insurance Department approval.” A separate Specific Named Group rate filing is required for each institution with which the insurer contracts. The Department will review the filing to confirm that the quoted rates were developed in accordance with the “Acknowledged” rate manual. Upon completion of the review, the Department will change the SERFF filing status to “Acknowledged.” The final rates will be made public the latter of upon being marked as “Acknowledged” in SERFF or once all Rate Manual Filings are acknowledged.

In light of CMS uniform posting rules, the final Rate Manual Filing will be made public once all Rate Manual Filings are acknowledged.

2. Pennsylvania Filing Requirements

A. Required Documents

Pennsylvania requires annual rate filings for all fully insured student health insurance plans, including those with rate decreases or unchanged rates. All “Rate Manual” and “Specific Named Group” filings must be made in SERFF.

Filings will be considered incomplete and may be rejected if the items in the tables below are not included. Every rate filing for student health insurance plans should include all of the required documents listed in the following tables.

Required Documents – Rate Manual Filing
Cover letter
Actuarial Memorandum and Certifications (unredacted)
Rate manual and rate exhibits, including an Excel workbook that chronicles the step-by-step methodology (unredacted) and two sample calculation worksheets
Public Rate Manual PDF (the final version of the complete Rate Manual Filing with limited redactions)

Required Documents – Specific Named Group Filing
<i>Documents Required to be Filed with PID</i>
Rate Review Justification (RRJ) Template – Rate Reporting Form
RRJ – Written Explanation of the Rate Change
<i>Pennsylvania Documents Required to be Filed with PID</i>
Cover letter
Final rates for the institution(s) (Excel with working formulas)
Final AV screenshots
Final Excel workbook that demonstrates the rate calculation and chronicles the step-by-step methodology for the named institution(s)
Certification that final rates are developed in accordance with the acknowledged rate manual
Public Specific Named Group Filing PDF (the final version of the complete Specific Named Group Filing with limited redactions)
Student Completeness Checklist

Consistent with guidance provided during the annual rate review cycle for calendar year ACA-compliant plans, the Department does not anticipate redactions other than the following items:

1. AV screenshots,
2. Opining actuary’s name,
3. Specific provider contracting information, and
4. Commission schedules.

If the insurer does not submit redacted documents, the Department will make public the unredacted versions.

B. SERFF Submission

Please use the following Types of Insurance (TOI), Sub-Types of Insurance (Sub-TOI) and Filing Types. Please also submit rate and form filings separately.

Rate Manual Filing

- TOI – Student Health Insurance
 - H22 Student Health Insurance
 - Sub-TOI – H22.000 Student Health Insurance
- Filing Type

- Rate

Specific Named Group Filing

- TOI – Student Health Insurance
 - H22 Student Health Insurance
 - Sub-TOI – H22.000 Student Health Insurance
- Filing Type
 - “Rate confidential” – specific named group (will be made public)

C. SERFF Rate/Rule Schedule Tab

Rate Manual Filing

The SERFF Rate/Rule Schedule tab should contain the proposed rate manual.

The Company Rate Information and Rate Review Detail should be accurate and completed to the extent possible. The Supporting Documentation tab should contain the Actuarial Memorandum and rate exhibits.

Specific Named Group Filing

The SERFF Rate/Rule Schedule tab should contain the final rates for the institution(s).

The Company Rate Information and Rate Review Detail should be complete and accurate. The data presented should be school-specific and should be consistent with the data that appears in the corresponding Rate Review Justification (RRJ).

The Supporting Documentation Tab should contain the school-specific RRJ, the Part 1 Rate Change Summary Form, the Part 2 Written Explanation of Rate Change, and the school specific rate development exhibit.

D. Pennsylvania Insurance Department Contact

Katie Dzurec, Director, Bureau of Life, Accident and Health Insurance
Email: kdzurec@pa.gov; Phone: 717-783-4335

C. Cover Materials

1. Cover Letter Public Document – Rate Manual Filing

All Rate Manual submissions will be made public, uniformly, via SERFF once all Rate Manual Filings are acknowledged. The public PDF document should contain all components of the Rate Manual Filing, as identified in the chart above, with limited redactions. Ensure that the PDF is not locked and is in text rather than image format. The cover letter should contain the following information:

- A. Company Name & NAIC number
- B. Corresponding contract form number and SERFF ID number(s)
- C. Estimated effective date of coverage, including policy year start and end dates
- D. Current number of covered lives and policyholders (as of November 1 of the prior year) by institution(s)
- E. Rating areas
- F. Experience and rating period traditional medical loss ratio and the most recent 3-year rebate MLR for the nationwide book of business and the amount of rebates due in Pennsylvania for the coming year.

2. Cover Letter – Specific Named Group Filing

The cover letter should contain the following information:

- A. Company name & NAIC number
- B. Corresponding contract form number and SERFF ID number(s)
- C. Name of the institution(s) of higher education with which the insurer is contracting
- D. Average rate change (% and \$)
- E. Experience and rating period traditional medical loss ratio
- F. Effective date of coverage, including policy year start and end dates
- G. Current number of covered lives and policyholders (as of November 1 of the prior year)
- H. Policy year revenue for the named institution(s)
- I. Additional revenue from rate increase for the named institution(s)
- J. Rating areas, if applicable
- K. SERFF ID number(s) for the acknowledged Rate Manual Filing

D. Rate Manual Filing

The Rate Manual Filing consists of two parts: the rate manual and the actuarial memorandum.

1. Rate Manual

45 C.F.R. §147.145(b)(3) states that “student health insurance rates must reflect the claims experience of individuals who comprise the risk pool, and any adjustments to rates within a risk pool must be actuarially justified.” Therefore, in accordance with federal regulation, all rating factors and adjustments must be identified and quantified in the rate filing. Rate caps, underwriting adjustments or underwriter discretion are not permitted.

The insurer is expected to provide support that each single risk pool reflects all covered lives for every non-grandfathered product/plan combination in that pool. The single risk pool is specific to the insurer, legal entity, for the state and school(s) for which it is submitted. Multiple risk pools may exist within an institution. A college may have separate undergraduate and graduate risk pools as described in §146.121.

The Rate Manual should contain the complete step-by-step methodology to develop the institution rate(s) starting from the Single Risk Pool claims. The Rate Manual should disclose the entire process including all factors used in developing the rate, as well as the criteria used in developing which factors, weights and processes are appropriate for a given institution, such that the Department can independently develop the school rate given the data and assumptions provided. The Rate Manual should minimally include criteria for the following and any other information the insurer believes is necessary to describe their entire rate process for all rating scenarios.

- Manual rate development for new business and plans with little or no credible experience;
- Experience rate development for plans with credible experience; and
- The credibility formula that generates the blended rate for schools with partially credible experience.

The rate manual should include a step-by-step development of rate determination for new business and renewal business. This should include two sample exhibits in Excel that demonstrate the step-by-step rate calculation and the resulting rate increase. It is the Department’s preference that the sample calculations be based on institutions that enrolled in the prior year, if possible. Use specific named group filings (a new school, if available, and one renewing school) submitted and acknowledged in the prior year.

To the extent that the insurer only offers set plan designs and community rates on a statewide basis, the rate manual filing should contain the proposed factors and rates for all plan designs.

Note that although the Index Rate methodology is not required in Student Health Insurance Plans, the adjusted claims from the Single Risk Pool (Base Rate) should be the basis for rate development for the institution(s). Further, the only approved factors for premium rate development in the Individual Student Market as specified in PHS Act §2701 (42 U.S.C. §300gg) are age, family size, geography and tobacco use. (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.)

2. Actuarial Memorandum

The actuarial memorandum provides narrative that supports the rate manual, including the credibility formula, factors and their application. It should document data sources and adjustments and discuss how this data is appropriate for use in the development of Pennsylvania student rates. The actuarial memorandum should discuss the entire rate development process including all factors used in developing the rate, as well as the criteria used in determining which factors and processes are appropriate for a given institution. Consistent with ASOP No. 8, the filing actuary should satisfy the requirements of all applicable law, including 45 C.F.R. Subt. A, Subch. B, and 40 P.S. §§3801.101 et seq. Please be diligent in adhering to these requirements, as this will allow for a smoother review process. The actuarial memorandum should detail the pricing assumptions which underlie the proposed premium rate development, as shown in the Rate Manual. All exhibits and tables should be provided in Excel format and should include working formulas.

The memorandum should include the following items, as well as any other data and information necessary to justify the assumptions and factors and to demonstrate the rate development process:

1. Summary information

- a. A summary of how pricing assumptions for the proposed rate manual compare to the current acknowledged rate manual;
- b. Identification of institutions of higher education in Pennsylvania with which the insurer has contracted to provide student health insurance for the prior academic year;
- c. The rate change history for renewing products, by institution;
- d. Identification of other states where the insurer is issuing student health coverage.

2. Benefits

- a. Provide a benefit description, including identification of benefits in addition to EHBs;
- b. The manual rate development of the claim costs and derivation of premiums for all ACA-specific benefits and provisions, including pediatric dental, pediatric vision, etc. should be justified;
- c. Show benefit changes from the policy year experience period to policy year rating period, and development;
- d. Describe how students may seek services covered under the policy (on and away from campus) and the benefit structure for payment for student health services in- and out-of-network.

3. Risk pool identification and description

- a. Consistent with 45 C.F.R. §147.145(b)(3), a health insurer that offers student health insurance coverage may establish:
 - i. A nationwide or statewide risk pool that is community rated using allowable adjusting factors (age, tobacco and geography) to develop school premiums;

- ii. A school-specific risk pool(s) having fully credible experience to develop school premiums (such that the experience already accounts for any adjusting factors). This includes:
 - One risk pool per institution; or
 - Multiple risk pools within an institution. A college may have separate risk pools for undergraduate and graduate students.
- iii. A school-specific risk pool having partially credible experience where a developed manual rate may be used for the non-credible claims (using allowable adjusting factors only for the manual rate portion of the experience). This includes:
 - One risk pool per institution; or
 - Multiple risk pools within an institution. A college may have separate risk pools for undergraduate and graduate students.

4. Base Rate Development

- a. Identify the data and describe the development of all factors used in the rate manual process to adjust the single risk pool to develop the base rate for each institution or for each pool within the institution.

5. Trend identification and justification

- a. The methodology and data used to develop the trend to project the experience period data to the rating period should be discussed.
- b. Trend factors utilized in the pricing should be sufficiently justified, including data source(s) and all assumptions and adjustments.
- c. Include an explanation of whether trends are developed on an institution-specific basis, statewide or national basis.

6. Credibility of data

- a. A credibility formula should be provided. The determination of 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.

7. Manual data

- a. If manual data is used, provide the data and identify the source, show all adjustments, and explain why the data and adjustments are appropriate for the Pennsylvania student health insurance market. More than one manual data set or rate may be used in rating different risk pools. For example, if a school has an undergraduate and graduate risk pool, different manual rates may be used in rating each risk pool. The selected manual data must be the same for all rated schools where manual data is used.

8. Completion factors

- a. Discuss how completion factors are developed and whether they are developed on an institution-specific, statewide, or national basis. Additionally, discuss if the number of run-out months will be the same for each institution. If different, explain why.
- b. If completion factors are applied to less than 12 months of data, please show the historical and other data and narrative that supports the factors.

9. Retention, Taxes and Fees

- a. Expense assumptions – uniform percent or variable, and basis

- b. Contingency and risk/profit margins – An insurer may select a uniform profit load between 0% and 2%. However, a Blue Plan, pursuant to the 2005 Surplus Determination and Order, may be subject to different rules. The selected uniform profit load must be used in rating all schools.
- c. Quantitatively show the development of all taxes and fees including all assumptions.

10. Loss Ratio Demonstration

- a. Provide an exhibit that demonstrates that the projected rate meets the required 80% loss ratio.

11. Plan & Network Factors

- a. Provide the quantitative development and narrative of all plan and network factors.

12. Guaranteed renewability

- a. Please note that according to 45 C.F.R. §147.145(b)(1)(iii), individuals in a student health plan may not be non-renewed unless the individuals are no longer students or dependents of students; otherwise, 45 C.F.R. §147.106, Guaranteed Renewability of Coverage, applies. Please include such language in the filing.

13. Guaranteed availability

- a. Please note that according to 45 C.F.R. §147.145(b)(1)(ii), individuals in a student health plan may not be refused coverage unless the individuals are not students or dependents of students; otherwise, 45 C.F.R. §147.104, Guaranteed Availability of Coverage, applies. Please include such language in the filing.

14. Final Rates

- a. Identify all factors used to adjust the Base Rate to develop the premium rate. The insurer may select a rating structure that incorporates a 1-child maximum, 2-child maximum or a 3-child maximum, and this structure will apply to all institutions to which the insurer offers coverage. The following three methods may then be used to develop the premium rate charged for a plan or coverage:
 - i. Pure community rating, where each individual on a policy is charged the same premium. A family's rate will be the student's rate multiplied by the number of covered individuals, including the first dependent child (or 2 dependent children, if a 2-child maximum is selected or 3 dependent children, if a 3-child maximum is selected) under 21 years of age; if a family includes more than 1 (or 2, or 3) dependent child(ren), the rate will not reflect the dependent children in excess of 1 (or 2, or 3). Under this method, there are no rating adjustments for age, geography or tobacco use.
 - ii. Community rating for students, but the insurer determines a dependent child factor based on Pennsylvania's age curve (which is identical to the federal age curve) and the expected number and ages of children in the risk pool. A family's rate will be the sum of the rates for the student, the student's spouse if applicable, and the oldest (or two oldest, or three oldest) dependent child(ren) under 21 years of age; if the family includes more than 1 (or 2, or 3) dependent child(ren), the rate will not reflect the dependent children in excess of 1 (or 2, or 3). Under this method, there are no rating adjustments for age, geography or tobacco use. Please see Appendix 1 attached to this document for a demonstration.
 - iii. Rating that reflects individual market rules. Under this method, the insurer uses per-member rating to determine the rate for each covered individual on a family policy based on allowable

rating factors for age and tobacco use. (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.) A family's rate will be the sum of the rates for each individual family member; if a family includes more than 1 (or 2, or 3) dependent child(ren) under the age of 21, the rate will reflect only the oldest (or two oldest, or three oldest) dependent child(ren). Under this method, geography may not be used on a per-person basis, since the location of the family unit is assumed to be the location of the institution.

- b. If the Manual Rate Filing does not include the final plan benefit designs and proposed rates, a statement should be included in the Actuarial Memorandum that the final plan benefit designs, proposed rates, and RRJ will be filed with the Pennsylvania Insurance Department within 7 days of quoting a contract with an institution.

E. Group Specific Named Filing

The second part of the two-part rate filing process for fully insured Student Health Insurance Plan rating is the filing of the Group Specific Named Filing. This submission should include the following items:

1. Cover Letter

See page 7 for information to be included.

2. Rate Review Justification

Part I of the rate review justification should be submitted for each institution and risk pool, if multiple risk pools within an institution exist. The form should show the claims and other information as required by the RRJ. Since this form includes data by product, the claims for multiple institutions and risk pools may be included. Please see Section G below for Pennsylvania RRJ requirements.

3. AV Screenshot

This should show the AV Calculator output demonstrating that the minimum of 60% is met.

4. Excel Based Rate Development for School

An Excel based exhibit should be provided, with working formulas, that chronicles the step-by-step rate process as acknowledged in the filed rate manual. All factors and processes should be consistent with the acknowledged rate manual.

5. Final Rates

A rate given to an institution prior to Department approval should contain language indicating that the rate is pending Department approval and that the rate may be subject to change.

The proposed final rates submitted for review should be developed in a manner consistent with the acknowledged Rate Manual Filing. Identify all factors used to adjust the Base Rate to develop the premium rate using the method acknowledged in the Rate Manual Filing. See Section D.2.14.

F. Actuarial Memorandum Certifications

Provide certification by a qualified actuary that to the best of the actuary's knowledge and judgment:

1. The filing meets the guidance provided herein;
2. The rate filing is in compliance with the applicable laws of the Commonwealth of Pennsylvania;
3. The rate filing is in compliance with applicable federal laws, including that:
 - Consistent with 45 C.F.R. §147.145(b)(2), all final plans will be developed to provide at least 60 percent actuarial value, as calculated in accordance with 45 C.F.R. §156.135, and
 - All final rates will be developed to meet an anticipated loss ratio, as calculated in accordance with 45 C.F.R. Subt. A, Subch. B, Pt. 158, such that it is anticipated that rebates will not be required.
4. The rate filing complies with all applicable Actuarial Standards of Practice;
5. The benefits provided are reasonable in relation to premiums;
6. The premium schedules are not excessive, inadequate, or unfairly discriminatory; and
7. The filing complies with the additional certifications listed on the checklist.

G. Rate Review Justification (RRJ)

Rate Reporting Form

The RRJ Part 1 should be completed, for each institution, or risk pool as appropriate, proposed and filed, in Excel for all renewing product filings, including filings with no rate changes, rate decreases or rate increases. The RRJ is a standardized Excel-based form that collects institution-level summary data on the underlying medical and administrative cost drivers of the rate change. A separate RRJ should be filed for each institution or risk pool as appropriate.

Insurers should use the standardized Microsoft Excel worksheet, Part 1 of the RRJ – Rate Change Summary Worksheet, available for download from the Department's website. The CMS instructions for completing the form, "Rate Review Justification Instructions for Transitional Policies and Student Health Plans (Updated April 1, 2015)," are also available via a link on the Department's website.

When populating the RRJ Part 1, insurers should provide data for the most recent policy year experience period available, with two months run out.

Additionally, insurers should provide an accompanying Excel spreadsheet that shows the institutions included in each RRJ, the number of enrolled students, the number of enrolled dependents, and the number of years the insurer has provided student health insurance to each institution.

Written Explanation of the Rate Change

This form is required for all filings, including filings with no rate changes, rate decreases or rate increases. This is a brief, non-technical consumer-oriented explanation of the rate change, intended to provide context for the quantitative information provided in the RRJ Template. Please see the "Rate Review Justification Instructions for Transitional Policies and Student Health Plans (Updated April 1, 2015)" available via a link on the Department's website.

Appendix 1

**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 Fact 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 (2-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 or more Dependent Children
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
2.779 = Tier Factor for Student, Spouse and 1 Dependent Child
3.559 = Tier Factor for Student, Spouse and 2 Dependent Children
4.338 = Tier Factor for Student, Spouse and 3 or more Dependent Children

Appendix 2

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 A	School B
School:		
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 all schools.