

How Premera’s Composite Rating Works

Background

Premera Blue Cross launched a new line of small group plans for January 2014. That first year the plans were rated and quoted with roughly 40 tiers – rates differed based on the age of the member with a higher rate for each age up to 65. For 2015, the rates were still filed with the each-age tiers, however, due to employer and producer feedback, the rate will be converted to a composite format that is easier to communicate and track. Composite rating has long been a standard, so the switch back is expected to be smooth. However, it is important everyone understands how the composite works and how a group’s premium can change.

Rate Filings to the OIC Still Include Rates for Each Age

Premera files its rates for approval to the Washington Office of the Insurance Commissioner (OIC). In these filings, Premera shows a progressively increasing rate for each member as they grow a year older. The ages of each member of a small group still helps determine what the premium will be, and thus Premera still needs to know the ages on the group census to quote.

Snapshot from one plan option in the 2015 Premera rate filing showing rates for each age band and differences by geographic area of the group.

Age Band	Premera Blue Cross	
	Area 1	Area 2
0-20	\$188.57	\$193.28
21	\$296.96	\$304.38
22	\$296.96	\$304.38
23	\$296.96	\$304.38
24	\$296.96	\$304.38
25	\$298.14	\$305.60
26	\$304.08	\$311.68

Once approved, these rates go into a composite rating calculation that determines what the premium will be for that small group. Let’s show you how it works.

Converting Age Banded Rates to Composite Rates

Premera gathers the zip code and census of each small group and runs it through a rating engine to develop a two-tier composite rate that producers and employers can use to determine what the group’s monthly premium will be. By “two-tier” they mean that there is one “Child” rate for those under 21 – whether or not they are an employee or a dependent – and one “Adult” rate for those 21 and over.

The rating engine determines the Adult rate by averaging the filed-and-approved rate for the ages of each of the adults on the census. The Child rate is the rate for the 0-20 age range as approved by the OIC for that plan option. These monthly rates are shown under Adult and Child columns on the quote, and indicate the premium amount for each adult and each child.

At the top of the Rate Exhibit, Premera shows the **Medical Census** – how many adults and how many children are expected to be covered by the plan – and an additional line for **Rated Medical Census**. The Rated Medical Census will be different than the numbers for Medical Census if there is an employee with more than three children. If an employee has more than three children, they only pay for the first three, so the monthly charges in the far right column won't be calculated based on every person on the census, just persons on the census that should be paying.

Snapshot from a 2015 Premera quote showing a group that has five dependents on the census, but the group is only charged for four.

Rate Exhibit			
Monthly Rates Effective January 1, 2015			
	Adult	Child (0-20)	Monthly Charges
Medical Census: (16 total)	11	5	
Rated Medical Census:	11	4	
<u>WA Metallic</u>			
Balance Gold 500	\$548.98	\$194.83	\$6,818.14
Balance Gold 500 Hearing /Vision	\$563.90	\$200.12	\$7,003.36
Balance Gold 750	\$531.33	\$188.57	\$6,598.96

How Premera Calculates Monthly Charges

The far right column on the Rate Exhibit shows the monthly charge to the employer for the plan. This was calculated by multiplying the number of adults by the adult rate and adding in the number of rated children by the child rate. In the case above for the Balance Gold 500 plan (first on the list), the Monthly Charges of \$6,818.14 is calculated by charging 11 adults the \$548.98 rate found in the Adult column and charging 4 children the \$194.83 child rate.

$$(11 \text{ adults} \times \$548.98) + (4 \text{ children} \times \$194.83) = \$6,818.14$$

$$\$6,038.78 \quad + \quad \$779.32 \quad = \quad \$6,818.14$$

This monthly charge amount should be the amount the group pays with their binder check that comes in with their application. You also need to turn in a copy of the Member Census page and the Rate Exhibit (with the plan chosen circled) with the group's application materials.

Beyond the Quote – What Happens During the Year as the Census Changes

The final rate usually matches the rate that was quoted. However, Premera will take the final census that was submitted with the Group Master Application and calculate the monthly premium again. Any variations will show up in the next billing cycle and will outline any credits or additional premium owed from the initial binder check payment.

When a new employee is added, the group premium will go up an additional set amount based on if the employee is under 21 (child rate) or 21+ (adult rate). Premera does not adjust the monthly adult rate for census changes during the year, just once a year at renewal. So if the group loses 15 older employees mid-year and replaces them with 15 younger employees, the adult rate (and premium in this case) stays the same until renewal.

For any questions please [contact the Connexion PBC WA Small Group Team](#) at 1-888-742-1475.