LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

BULLETIN 2015-02

TO: ALL HEALTH INSURANCE ISSUERS AND HEALTH MAINTENANCE ORGANIZATIONS

FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE

RE: FAMILY COMPOSITE PREMIUMS IN THE SMALL GROUP MARKET

DATE: February 20, 2015

The purpose of Bulletin 2015-02 is to inform all health insurance issuers and health maintenance organizations (issuers) that the use of family composite premiums for the 2016 plan year in the small group market as defined in section 1304(a)(3) of the Affordable Care Act has been approved by the Centers for Medicare and Medicaid Services (CMS) and by the Louisiana Department of Insurance (LDI) in accordance with the guidance detailed herein. The method of calculating family composite premiums in the small group market under Bulletin 2015-02 are compliant with 45 CFR 147.102(c) and La. R.S. 22:1095(C).

Composite Premiums in the Small Group Market

Issuers in the small group market are authorized to utilize family composite premiums rather than per-member level premiums, provided that any issuer utilizing family composite premiums makes such premium development methodology available to each small employer in the risk pool. Issuers utilizing this method are reminded that issuers must first rate all members of a group on a per-member basis under the rules established in 45 CFR 147.102 and La. R.S. 22:1095 prior to the development of family composite premiums for the small group. Once a small group's aggregate premium is set by an issuer, it is not subject to change during the plan year. Issuers should also note that the Federally-facilitated SHOP Exchange will not utilize family composite premiums for the 2015 plan year and will utilize the federal default composite premium method for the 2016 plan year. Issuers are also reminded that pursuant to La. R.S. 22:1091, 42 USC 300gg-91, and 45 CFR 155.20, the definitions of "small employer" and "large employer" shall change on January 1, 2016, so that a "small employer" is an employer who employed an average of at least one but not more than one hundred employees on business days

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during the preceding calendar year and who employs at least one employee on the first day of the plan year.

Calculation of Family Composite Premiums

1. For each covered employee and his covered dependents, the premiums must be determined as follows:
   a) For each covered adult age 21 or older, the rate must be calculated for each person by multiplying the index rate by the applicable age and geographic area factors. At this stage of premium development, a tobacco use factor may not be applied.
   b) For each covered dependent below the age of 21, the rate must be calculated for each of the oldest three dependents by multiplying the index rate by the applicable age and geographic area factors. At this stage of premium development, a tobacco factor may not be applied.

Prior to allocation of the premium to group members, the group aggregate premium is determined by summing the premiums for each covered employee and covered dependents pursuant to 1(a) and 1(b), above.

2. After Steps 1(a) and 1(b), the group aggregate premium must be allocated to covered employees pursuant to the tier factor applicable to each covered employee's family size. All issuers utilizing the composite premium method contained herein must utilize the tiered approach established herein. The standard tier factor is:

   a) Employee only = 1.00
   b) Employee + spouse = 2.00
   c) Employee + dependents (includes all eligible dependents to age 26) = 1.85
   d) Employee + family (includes spouse and all eligible dependents to age 26) = 2.85

3. The employee premium is calculated according to the following formula:

   Employee premium = [Group aggregate premium] / [Weighted employee count] x [Employee's tier factor]

4. If an issuer utilizes a tobacco use factor, the factor must be applied to the specific covered individual. The factor must be applied to the per-member premium for

that covered individual's monthly premium pursuant to the standard tier. In such instances, the specific employee's premium is calculated accordingly:

Employee premium = [Group aggregate premium] / [Weighted employee count] x [Employee's tier factor] + [Tobacco Surcharge]

For questions regarding Bulletin 2015-02, please contact the Louisiana Department of Insurance, Office of Health Insurance, by telephone at (225) 342-1355.

Baton Rouge, Louisiana, this 20th day of February 2015.

JAMES J. DONELON
COMMISSIONER OF INSURANCE