



Date: March 31, 2015
From: Samara Lorenz, Acting Director, Oversight Group
Title: Insurance Standards Bulletin Series—INFORMATION
Subject: CCIIO Technical Guidance (CCIIO 2015—0001): Questions and Answers Regarding Rate Review Requirements

I. Purpose

The purpose of this Bulletin is to provide guidance on when premium rates can be rounded to the nearest dollar.

II. Questions and Answers

Question #1:

May a state allow issuers to round premiums for non-grandfathered single risk pool compliant plans in the individual or small group (or merged) markets in their respective state to the nearest dollar?

Answer #1:

Yes. Premiums for non-grandfathered plans in the individual or small group (or merged) markets generally are rounded to the nearest penny. However, states enforcing the federal single risk pool and fair health insurance premiums requirements under 45 CFR §§ 156.80 and 147.102 may allow issuers to round premiums to the nearest dollar, as long as all of the following conditions are met:

- The premiums are based on unrounded rates, which are calculated based on an index rate for the market and applicable plan level adjustments and premium rating factors in compliance with the single risk pool and fair health insurance premiums requirements under 45 CFR §§ 156.80 and 147.102.
- Premiums are rounded to the nearest dollar only based on unrounded rates, plan level adjustments, and premium rating factors. This means that premiums can only be rounded one time and only after all of the permitted plan level adjustments and applicable premium rating factors have been applied to the rate (i.e., after family size, geographic rating factor, age rating factor, and, if applicable, tobacco rating factor are taken into account). Issuers may not round rates at intermediate steps in the rate development process.

- The practice of rounding premiums is done consistently across the risk pool. If an issuer rounds premiums for one plan in the risk pool, the issuer must round premiums for all plans in the risk pool.
- Fractions of \$0.50 or higher are rounded up to the nearest dollar and fractions of less than \$0.50 are rounded down to the nearest dollar. If the rounded premium rates vary by more than 3:1 for like individuals who are age 21 and older who vary in age, or by more than 1.5:1 for like individuals who vary in tobacco use, the issuer must adjust the rates to bring them into compliance with the 3:1 age rating factor limit and the 1.5:1 tobacco rating factor limit.

Table 1: Example of Rounding Premiums

Category	Unrounded Premium (after applying all rating factors and plan level adjustments using full precision)	Rounded Premium	Revised Rounded Premium (to avoid exceeding the 3:1 and 1.5:1 maximum variation for age and tobacco use, respectively)
21 year old non-tobacco user	\$100.40	\$100	\$100
64 year old non-tobacco user	\$301.20	\$301	\$300
21 year old tobacco user	\$150.60	\$151	\$150
64 year old tobacco user	\$451.80	\$452	\$450

In direct enforcement states¹, HHS enforces the single risk pool and fair health insurance premiums provisions. In these states, issuers must continue to round premiums to the nearest penny unless instructed otherwise in future guidance.

¹ Currently, direct enforcement states are Alabama, Missouri, Oklahoma, Texas, and Wyoming.