

Frequently Asked Question on Determining Group Policyholder's Principal Business Address for Geographic Rating in the Small Business Health Options Program (SHOP)

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This FAQ is in response to employers' and issuers' questions on how to determine a group policyholder's principal business address for purposes of geographic rating in a Small Business Health Options Program (SHOP).

Question: Pursuant to section 2701 of the Public Health Service Act and regulations at 45 CFR 147.102, for purposes of rating based on geography, rating area is determined in the small group market using the group policyholder's principal business address. For an employer with multiple locations within a state, which location should the employer identify as the "principal business address" for geographic rating purposes?

Answer: For purposes of identifying the applicable geographic rating area for an employer with multiple locations within a state, a few options are available.

If the employer has registered an in-state principal business address with the state, commonly referred to in various states as the "primary place of business" or "principal office," the employer generally must identify that location as the principal business address. We note that an in-state address registered solely for purposes of service of process, but that does not reflect a substantial worksite at that location, should not be identified as the employer's principal business address.

Alternatively, if an employer has not registered an in-state principal business address with the state, the employer may designate as its principal business address the location where the greatest number of employees work in the applicable state. . We note that, when a network plan offered in a state has a limited service area, limiting an employer to a single principal business address could result in a situation where such a plan is guaranteed available to an employer because the employer has an employee that lives, works, or resides in the plan's service area, but no rating factor could be applied because the employer's identified principal business address is not located in the service area. This could happen, for example, where the employer's only worksite in the service area is not its principal business address, or where the employer does not have any worksite in the service area, but has an employee(s) who lives or resides in the service area.

HHS has proposed amendments to 45 CFR 147.102 that would provide additional flexibility in such cases. Until HHS finalizes rulemaking related to those proposed amendments, HHS will permit an additional address within a network plan's limited service area to be identified as a principal business address for the narrow purpose of ensuring that a limited service area network plan can be appropriately rated for sale to the employer. This address should be the business address within the service area where the greatest number of employees work at the beginning of the plan year, or if there

is no such business address, an address within the rating area selected by the employer that reasonably reflects where the greatest number of employees within the plan's service area live or reside at the beginning of the plan year.

We also note that SHOPS, including the FF-SHOPs, may use the address that was used to establish a qualified employer's eligibility for participation in the SHOP to determine the applicable geographic rating area when calculating premiums for participating employers. The SHOPS, including the FF-SHOPs, may not be able to accommodate multiple principal business addresses within a state for premium calculation purposes. As a result, when a single application is completed in a state, plan availability and premium calculations will be based on the principal business address entered on the FF-SHOP employer user interface.