



Group Benefit Services, Inc.

ADMINISTRATION

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GBS is an insurance claim technology corporation. Our focus is to assist organizations in developing a variety of technology - based programs that meet your specific goals.

Our job is to design and implement a program workflow around your goals that leverage our technology and resources to save your firm time and money.

We will assemble a team of experienced, quality professionals specifically for your project.

We would welcome the opportunity to work with your organization from plan conception through final implementation.

The Patient Protection and Affordable Care Act (PPACA) How will Modified Community Rating (MCR) impact my employees, and is there an alternative?

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The Patient Protection and Affordable Care Act (PPACA or the Act)¹ provides basic guidelines that insurers must follow regarding health insurance coverage and pricing to individuals and businesses. Section 2701 of the Act contains provisions on Fair Health Insurance Premiums that prohibits discriminatory premium rates.¹ The Act allows insurers to vary premiums by the use of “Modified Community Rating (MCR)” to calculate premiums based only on very basic criteria; family size, geographical location, tobacco use, and age.

Beginning January 1, 2014, all states must begin using MCR guidelines to set health insurance premium rates for individuals and small employer groups. Small groups are employers with 100 or fewer employees. However, each State has the option to treat 50 employees or fewer as a small group prior to 2016. Beginning January 1, 2016, according to the Act, small groups will be defined as employers with at least one (1) but not more than 100 employees (United States Congress, 2010).

What does it all mean for employers? It means employers with 100 or fewer employees, with traditionally much higher than average (indexed) costs for traditional health insurance due to consistently high claims, will see a reduction in their premiums. In addition, if an employer’s group risk indexing is average to healthier than average and as a result, the current health insurance cost is average to lower than average for that employer; then there will be a moderate to sharp increase in that employers health insurance premiums. In other words, the less than healthier groups will see reduction in their premiums, and the healthier groups will see an increase in their premiums. In fact, several studies and history have shown that states where these guidelines were already implemented, health insurance premiums for the average to healthier than average employer groups increased by as much as 20 to 50 percent^{2,3,4}.

Self-Insured Health Plans are exempt from the Modified Community Rating

If you are an employer with more than 50 eligible employees with a risk level of average to healthier than average, providing your health plan through a partially self-funded arrangement could save your firm a substantial amount of money. Reinsurance carriers in this market space traditionally base your quoted rates and risk factors on your current and renewal premiums. If you are an employer within this category, you could financially benefit by converting your health insurance package over to a partially self-funded program **before** your MCR guideline renewal premiums becomes available (mid-year change) from your carrier.

¹ H.R. 3590, The Patient Protection and Affordable Act, §2701. (United States Congress, 2010)

² Oliver Wynman: Impact of the Patient Protection and Affordable Act on costs in the individual and small-employer health insurance markets. (Grau & Giesa, 2009)

³ The impact of guaranteed issue and community rating reforms on States’ individual insurance market. (Wachenheim & Leida, 2012)

⁴ The Affordable Care Act and its effect on health insurance market segments. (Central for Health Research & Transformation, 2012)