

191—71.6(513B) Restrictions relating to premium rates.

71.6(1) a. A small employer carrier shall develop a separate rate manual for each class of business. Base premium rates and new business premium rates charged to small employers by the small employer carrier shall be computed solely from the applicable rate manual developed pursuant to this rule. To the extent that a portion of the premium rates charged by a small employer carrier is based on the carrier's discretion, the manual shall specify the criteria and factors considered by the carrier in exercising such discretion.

b. (1) A small employer carrier shall not modify the rating method used in the rate manual for a class of business until the change has been approved as provided in this paragraph. The commissioner may approve a change to a rating method if the commissioner finds that the change is reasonable, actuarially appropriate, and consistent with the purpose of Iowa Code chapter 513B and this chapter.

(2) A carrier may modify the rating method for a class of business only with prior approval of the commissioner. A carrier requesting to change the rating method for a class of business shall make a filing with the commissioner at least 30 days prior to the proposed date of the change. The filing shall contain at least the following information:

1. The reasons the change in rating method is being requested;
2. A complete description of each of the proposed modifications to the rating method;
3. A description of how the change in rating method would affect the premium rates currently charged to small employers in the class of business, including an estimate from a qualified actuary of the number of groups or individuals (and a description of the types of groups or individuals) whose premium rates may change by more than 10 percent due to the proposed change in rating method (not generally including increases in premium rates applicable to all small employers in health insurance coverage);
4. A certification from a qualified actuary that the new rating method would be based on objective and credible data and would be actuarially sound and appropriate; and
5. A certification from a qualified actuary that the proposed change in rating method would not produce premium rates for small employers that would be in violation of Iowa Code section 513B.4.

(3) For the purpose of this rule a change in rating method shall mean:

1. A change in the number of case characteristics used by a small employer carrier or ODS to determine premium rates for health insurance coverages in a class of business;
2. A change in the manner or procedures by which insureds are assigned into categories for the purpose of applying a case characteristic to determine premium rates for health insurance coverages in a class of business;
3. A change in the method of allocating expenses among health insurance coverages in a class of business; or
4. A change in a rating factor with respect to any case characteristic if the change would produce a change in premium for any small employer that exceeds 10 percent.

For the purpose of subparagraph (3), paragraph "1" above, a change in a rating factor shall mean the cumulative change, with respect to such factor, considered over a 12-month period. If a small employer carrier changes rating factors with respect to more than one case characteristic in a 12-month period, the carrier shall consider the cumulative effect of all such changes in applying the 10 percent test under paragraph "1." A filing which has not previously been approved, denied, or questioned is deemed approved on or after 30 days from receipt by the division.

71.6(2) a. The rate manual developed pursuant to 71.6(1) shall specify the case characteristics and rate factors to be applied by the small employer carrier in establishing premium rates for the class of business.

b. A small employer carrier may not use case characteristics other than those specified in 513B.4(2) without the prior approval of the commissioner. A small employer carrier seeking such an approval shall make a filing with the commissioner for a change in rating method under 71.6(1) "b."

c. A small employer carrier or ODS shall use the same case characteristics in establishing premium rates for each health insurance coverage in a class of business and shall apply them in the same manner in establishing premium rates for each health insurance coverage. Case characteristics shall be applied without regard to the risk characteristics of a small employer.

d. The rate manual developed pursuant to 71.6(1) shall clearly illustrate the relationship among the base premium rates charged for each health insurance coverage in the class of business. If the new business premium rate is different than the base premium rate for a health insurance coverage, the rate manual shall illustrate the difference.

e. Differences among base premium rates for health insurance coverages shall be based solely on the reasonable and objective differences in the design and benefits of the health insurance coverages and shall not be based in any way on the actual or expected health status or claims experience of the small employer groups that choose, or are expected to choose, a particular health insurance coverage. A small employer carrier or ODS shall apply case characteristics and rate factors within a class of business in a manner that ensures that premium differences among health insurance coverages for identical small employer groups vary only due to reasonable and objective differences in the design and benefits of the health insurance coverages and are not due to the actual or expected health status or claims experience of the small employer groups that choose, or are expected to choose, a particular health insurance coverage.

f. The rate manual developed pursuant to 71.6(1) shall provide for premium rates to be developed in a two-step process. In the first step, a base premium rate shall be developed for the small employer group without regard to any risk characteristics of the group. In the second step, the resulting base premium rate may be adjusted by a risk load, subject to the provisions of Iowa Code section 513B.4, to reflect the risk characteristics of the group.

g. (1) Except as provided in subparagraph (2), a premium charged to a small employer for a health insurance coverage shall not include a separate application fee, underwriting fee or any other separate fee or charge.

(2) A carrier or ODS may charge a separate fee with respect to a health insurance coverage (but only one fee with respect to such plan) provided the fee is no more than \$5 per month per employee and is applied in a uniform manner to each health insurance coverage in a class of business.

h. A small employer carrier or ODS shall allocate administrative expenses to the basic and standard health benefit plans on no less favorable a basis than expenses are allocated to other health insurance coverages in the class of business. The rate manual developed pursuant to 71.6(1) shall describe the method of allocating administrative expenses to the health insurance coverages in the class of business for which the manual was developed.

i. Each rate manual developed pursuant to 71.6(1) shall be maintained by the carrier for a period of six years. Updates and changes to the manual shall be maintained with the manual.

j. The rate manual and rating practices of a small employer carrier shall comply with any guidelines issued by the commissioner.

71.6(3) If group size is used as a case characteristic by a small employer carrier, the highest rate factor associated with a group size classification shall not exceed the lowest rate factor associated with such a classification by more than 20 percent.

71.6(4) The restrictions related to changes in premium rates in 513B.4(1)“c” and 513B.4(1)“d” shall be applied as follows:

a. A small employer carrier shall revise its rate manual each rating period to reflect changes in base premium rates and changes in new business premium rates.

b. (1) If, for any health insurance coverage with respect to any rating period, the percentage change in the new business premium rate is less than or the same as the percentage change in the base premium rate, the change in the new business premium rate shall be deemed the change in the base premium rate for the purposes of 513B.4(1)“c” and 513B.4(1)“d.”

(2) If, for any health insurance coverages with respect to any rating period, the percentage change in the new business premium rate exceeds the percentage change in the base premium rate, the health insurance coverage shall be considered health insurance coverage into which the small employer carrier or ODS is no longer enrolling new small employers for the purposes of 513B.4(1)“c” and 513B.4(1)“d.”

c. If, for any rating period, the change in the new business premium rate for health insurance coverage differs from the change in the new business premium rate for any other health insurance coverage in the same class of business by more than 20 percent, the carrier or ODS shall make a filing with the commissioner containing a complete explanation of how the respective changes in new

business premium rates were established and the reason for the difference. The filing shall be made within 30 days of the beginning of the rating period.

d. A small employer carrier or ODS shall keep on file, for a period of at least six years, the calculations used to determine the change in base premium rates and new business premium rates for each health insurance coverage for each rating period.

71.6(5) a. Except as provided in paragraphs “*b*” through “*d*,” a change in premium rate for a small employer shall produce a revised premium rate that is no more than the following:

(1) The base premium rate for the small employer (as shown in the rate manual as revised for the rating period), multiplied by

(2) One plus the sum of:

1. The risk load applicable to the small employer during the previous rating period, and
2. Fifteen percent (prorated for periods of less than one year).

b. In the case of health insurance coverage into which a small employer carrier or ODS is no longer enrolling new small employers, a change in a premium rate for a small employer shall produce a revised premium rate that is no more than the following:

(1) The base premium rate for the small employer (given its present composition and as shown in the rate manual in effect for the small employer at the beginning of the previous rating period), multiplied by

(2) One plus the lesser of:

1. The change in the base rate or
2. The percentage change in the new business premium for the most similar health insurance coverage into which the small employer carrier or ODS is enrolling new small employers, multiplied by

(3) One plus the sum of:

1. The risk load applicable to the small employer during the previous rating period and
2. Fifteen percent (prorated for periods of less than one year).

c. In the case of health insurance coverage described in Iowa Code section 513B.4(2), if the current premium rate for the health insurance coverage exceeds the ranges set forth in 513B.4(1), the formulae set forth in paragraphs “*a*” and “*b*” will be applied as if the 15 percent adjustment provided in 71.6(5) “*a*”(2)“2” and 71.6(5) “*b*”(3)“2” were a zero percent adjustment.

d. Notwithstanding the provisions of paragraphs “*a*” and “*b*,” a change in premium rate for a small employer shall not produce a revised premium rate that would exceed the limitations on rates provided in 513B.4(1)“*b*.”

71.6(6) a. A representative of a Taft Hartley trust (including a carrier upon the written request of such a trust) may file in writing with the commissioner a request for the waiver of application of the provisions of 513B.4 with respect to such trust.

b. A request made under paragraph “*a*” shall identify the provisions for which the trust is seeking the waiver and shall describe, with respect to each provision, the extent to which application of such provisions would:

(1) Adversely affect the participants and beneficiaries of the trust; and

(2) Require modifications to one or more of the collective bargaining agreements under or pursuant to which the trust was or is established or maintained.

c. A waiver granted under 513B.4A shall not apply to an individual who participates in the trust because the individual is an associate member of an employee organization or the beneficiary of such an individual.