

Nebraska Department of Insurance (NDOI)
Rates & Forms Division
Nebraska SERFF Large Employer Rate Filings
Effective March 1st, 2020

NDOI Approach to Reviewing Large Employer Rate Filings

In compliance with Nebraska Revised Statutes N.R.S. 44-710 the NDOI requires all premium rates and risk classifications for every form to be filed before use. The NDOI reserves a 60 day review period to determine whether premium rates submitted for each form contain benefits that are unreasonable in relation to the premium charged, and to determine if there is any provision which is unjust, unfair, inequitable, misleading, or contrary to the law of this state.

“Premium Rates” required to be filed should include all base rates, rating factors, rating formulas and adjustments that may be applied to develop a Large Employer’s final rates. The Nebraska SERFF Filing Rules tab directs that: “The memorandum for health rates must demonstrate the experience and describe in detail the methodology and justify assumptions underlying the rates”. The NDOI does not require that final rates be filed for each Large Employer, however the experience rating methodology and list of underwriting rating variables that may be applied to calculate each Large Employer’s rates should be provided in the filing.

There are several unique characteristics of Large Employer rating that make the filing of rates more complicated than simply filing a rate table and factors as is done with most lines of business:

- * In the Large Employer market a carrier may negotiate with some large employers to achieve rates that are competitive versus competition.
- * Benefit designs are often negotiated and contain combinations of benefits that could not all be foreseen or listed in a benefit factor table in advance in a rate filing.
- * A carrier may use underwriting discretion in applying underwriting rating factors while rating employer groups which makes it implausible to file exact underwriting rating factors that will be used in advance.
- * Partially or Fully Experience rated groups may receive adjustments to their experience to handle large claims, imperfect data and other issues.

As a consequence of these market issues the NDOI takes the following general approach in reviewing Large Employer rate filings:

- (1) The Department will generally rely upon the carrier’s certifying actuary and their actuarial opinion as to whether the rates will be applied in a manner to achieve the required 85% federal Minimum Loss Ratio (MLR).
- (2) Given the ability of the carrier to modify the various rating factors, and the NDOI’s allowance for carriers to apply underwriting discretion and negotiation, the NDOI relies on the certifying actuary to determine that base rates and factor levels in aggregate have been set to be actuarially appropriate for the block of business, while allowing for subsidies between employer groups within the Large Employer block. The NDOI will only challenge individual rating factors if they appear to be discriminatory or inequitable based on the summary description provided in the rate filing.

Required Rate Manual Contents

A full and complete rate manual should be provided that contains all of the following:

(A) Manual Rates for non-experience rated employer groups, which would also be used for partially experience rated groups for the non-credible portion of their experience. The Manual Rates should include all of the following if applicable to a carrier's rating structure:

- * All Base Rates for Medical, Pharmacy, Rider Benefits, other benefits.
- * All cost based rating factors, such as Industry, Area, Age/Gender, Tobacco Use, etc...
- * The rating tier structure based on Single and different Family Types of coverage available.
- * All rating formulas describing how base rates and rating factors are combined to calculate a group's manual rates.
- * All retention loads (see retention load section C).
- * Standard and current benefit factors (see benefit factors section D).

(B) Experience Rating Method which should include all of the following if applicable to a carrier's experience rating structure:

- * Description of claim experience to be used, weights given to each year or period of experience, IBNR completion factors applied to each year to estimate IBNR claims, etc..
- * Credibility weights applied to each group's experience, based on group size and/or other criteria.
- * Large claim thresholds and pooling charges applied in the experience rating development.
- * A complete Experience rating formula showing how a group's experience and all adjustments and experience rating factors will be applied to determine a group's experience rate.
- * The blended rate calculations for partially experience rated groups combining the manual rates with the experience rates based on a group's credibility level.
- * All retention loads (see retention load section 3).

(C) Retention Factors for Manual and Experience rated groups:

- * Administrative Expense loads as a % of premium or dollar pmpm, indicating how these vary by group size or other criteria.
- * Commissions and Broker fee loads as a % of premium or dollar pmpm, indicating how these vary by group size or other criteria. Commissions for both first year and renewal years should be indicated.
- * Marketing Expense loads as a % of premium or dollar pmpm, indicated by first year and renewal.
- * Premium Taxes, assessments and fee loads as a % of premium or dollar pmpm.
- * Profit and contingency margin loads as a % of premium, on both a pre-tax and post-tax basis.

(D) Benefit Factors:

- * All standard benefit plan factors for plans that are known to be available for the new rating period should be provided.
- * All benefit plan factors for plans with current enrollment should be provided.
- * Carriers may negotiate unique benefit levels with employers that are not contained in the set included in the rate manual.

(E) Underwriting Rating Manual which should include all of the following if applicable to a carrier's underwriting rating structure:

* Risk Score factors that will be applied to a group's rates based on evaluating claims experience of individual members (typically for renewal groups) or based on applying debit points for conditions identified for each member on the application (for new groups). A description for how the risk scores will be developed should be provided, with any risk tiers or allowable ranges of risk factors identified.

* Indication if negotiated underwriting rating factors are used as part of negotiating final rates with Large Employers. The Department actuary will be unable to review these negotiated underwriting factors or the final negotiated rates proposed for any Large Employer. Thus the Department relies on the certifying actuary to document how final rates for Large Employers will be determined, and to estimate the impact that any negotiated rates will have on their filed MLR estimate.

* Other calculated (non-negotiated) underwriting rating factors should be identified if applicable, such as Participation Factors, Dual Coverage Selection Factors, Prior Coverage factors, etc... Each of these underwriting factor should be documented to include the following information:

(a) The Criteria for when and how the underwriting factor will be applied; such as whether the factor applies to renewals, new business, only to small groups < 100 employees, etc...

(b) The value of the factor, and/or range of expected values to be applied for the factor, or the criteria that will be used to set the value of the factor if there is no inherent limit on the range.

NDOI Acceptance of the MLR Demonstration and Actuarial Certification

In the Actuarial Memorandum the carrier's actuary should demonstrate that the entire Large Employer block of business in Nebraska is projected to achieve a minimum 85% Federal MLR for the new rating period, and for the 3-year period including the new rating period. An MLR projection calculation should be provided in the rate filing that shows historic years of claim and premium experience, and demonstrates how all trend factors and adjustments are applied to calculate the current year MLR and the future rating period MLR. The calculation should provide documentation for how the trend factors applied were determined for medical and pharmacy utilization and unit cost trends.

The Department shall accept this demonstration without further challenge if it is filed by a qualified actuary, contains all of the elements identified, and meets the minimum 85% threshold. If a projected MLR of less than 85% is filed then the NDOI will expect support for the deviation from the 85% minimum requirement, and may object to the proposed MLR.

If the qualified actuary's actuarial certification for the rate filing contains all of the following required language then the NDOI will accept the rate filing without further challenge:

* Rates have been set to be adequate but not excessive;

* Rates have been set in compliance with Actuarial Standards of Practice, accepted actuarial practices;

* Rates have been set in compliance with all Nebraska statutes and regulations, and federal regulations.

A "Qualified Actuary" for Nebraska rate filing purposes is a Member of the American Academy of Actuaries (M.A.A.A.) who also is qualified under A.A.A. standards to submit actuarial opinions related to Major Medical Health Plan rate filings.