

# Adjusted community rating

## What is it?

Beginning for plan years effective Jan. 1, 2014, or later, the Affordable Care Act (ACA) requires a rating system, called adjusted community rating (ACR), to determine premiums for members of small employers buying insurance in and outside the public “marketplace” or exchange. Health issuers may only vary premiums based on age, family size, geographic area and tobacco use (tobacco use is optional and HealthPartners does not apply a tobacco rating factor). Under ACR rules, the use of health status or claims experience is not allowed.

## What does it mean for you?

If you are a small employer with 50 or fewer employees, your premium will be based on adjusted community rating. The health status or claims experience of your group will not be considered.

## Q&As

### Will rates be calculated on a per-member basis?

Yes. Carriers in the small employer market will calculate rates for employee and dependent coverage on a per-member basis. For families, the issuer will add rates for each family member for a total family premium. Rules for calculating total family premium require the calculation be based on, at most, three of the oldest family members under age 21, with no cap related to the number of family members age 21 and older. Member-level rating also means that age factor is only applied to an individual family member’s premium.

### Explain how geographic area will affect small employer members’ premiums.

Under reform, states can establish different rating areas as long as they are applied uniformly within each market and don’t vary by product. There are nine geographic rating areas in Minnesota and 16 in Wisconsin. These areas are the same for all carriers participating in the individual and small employer markets.

### Are there any exemptions to adjusted community rating?

Certain grandfathered groups may be exempt from adjusted community rating. Self-insured small employers are also exempt from this requirement.

### Can you explain age rating?

Older patients typically use more and higher cost health care services than younger patients. Age rating bands are one way to spread the premium costs over a range of age groups. Age, for rating purposes, is measured on the group’s policy issuance date or renewal. Rate increases due to a birthday during the plan year are applied at the following year’s renewal.

- With reform, there is a 3:1 maximum ratio for age rating, which applies to adults age 21 and older.
- In Minnesota, children age birth to 20 and adults 64 and older will be rated using the same, single band.
- In Wisconsin, children age birth to 14 and adults 64 and older will be rated using the same, single band.
- With a 3:1 age band, the ratio limits the amount an older individual will pay to no more than three times what a younger individual pays in premium dollars.

### MORE INFORMATION

To learn more, visit  
[healthpartners.com/employer](http://healthpartners.com/employer).

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