

MARKET RULES FACT SHEET



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Overview

Under the Patient Protection and Affordable Care Act (PPACA), Market Rules ensure that individuals and employers will have a minimum set of protections for health insurance access and premium stability in all states, inside and outside of the Health Insurance Marketplace.

This fact sheet summarizes the Market Rules as they relate to Guaranteed Availability, Guaranteed Renewability, Single Risk Pool and Rating Standards provisions.

The provisions within the chart below are effective for plan years beginning on or after January 1, 2014.

| PROVISION | IMPACT | SUMMARY |
|--|--|--|
| Guaranteed Availability Guaranteed Renewability | Non-grandfathered individual and group insured plans | Guaranteed Availability – Insurers must accept every individual and group that submits an application for coverage, regardless of medical history or health status. Guaranteed Renewability – Insurers must renew coverage for every individual or group that wants to renew. |
| Single Risk Pool | Non-grandfathered individual and small group insured plans | Insurers cannot use separate risk pools to charge certain policyholders higher rates. |
| Rating Standards (Fair Health Insurance Premiums) | Non-grandfathered individual and small group insured plans; may be extended to large group plans in 2017 | Health insurance policy premiums can vary based only on these four factors: <ul style="list-style-type: none"> ▶ Age ▶ Tobacco use ▶ Family size ▶ Geography/rating area |

Effective July 16, 2014, the guaranteed availability, guaranteed renewability and single risk pool provisions no longer apply to insured plans issued in the U.S. territories (Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa and the Northern Mariana Islands).

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Guaranteed availability/guaranteed renewability

| GUARANTEED AVAILABILITY | GUARANTEED RENEWABILITY |
|---|---|
| <p>Coverage must be offered to all applicants, with few exceptions</p> | <p>Coverage must be renewed for all policyholders, with few exceptions</p> |
| <ul style="list-style-type: none"> ➤ Health insurers must accept every individual and employer that submits an application for coverage. ➤ This applies to any issuer that participates in the individual, small group or large group market in a state. ➤ Insurers must offer all products that are approved for sale, including non-grandfathered closed blocks of business. This means insurers must offer coverage under a plan that was previously closed and not available to new customers. | <ul style="list-style-type: none"> ➤ Health insurers must renew all policies in the individual and group market if the individual or group chooses to renew. ➤ This applies to any issuer that participates in the individual, small group or large group market in a state. ➤ Renewal is not required in these situations: <ul style="list-style-type: none"> – Nonpayment of premium when due. – Fraud/material misrepresentation relating to coverage. – Failure to meet minimum group participation or employer contribution requirements. – Withdrawal of the product from the market. – Withdrawal of the issuer from the individual, small group or large group market. – Enrollee movement outside of the service area. ➤ Self-funded and grandfathered plans are not required to comply with this provision. However, the same requirements already apply to all group plans under the 2001 HIPAA requirements. |

Single risk pool

- Insurers cannot use separate risk pools to charge certain customers higher rates. Insurers must use the total combined claims experience of all their non-grandfathered individual or small group plans in a state to establish an index rate (average rate) for that market.
- This index rate will be used to set rates for all of the insurer’s products in that market.

Rating standards

This chart provides more details about each of the four rating factors.

| RATING FACTORS | DETAILS |
|---------------------------|--|
| <p>Age</p> | <p>Premium rates may be varied based upon age. A plan will not be allowed to charge an older person more than three times the premium charged to a younger person for the same coverage.</p> <ul style="list-style-type: none"> ➤ Uniform age bands may be established by each state. <ul style="list-style-type: none"> – One age band for individuals through age 20 – One-year age bands for individuals ages 21 through 63 – One age band for individuals 64 and older |
| <p>Tobacco use</p> | <p>A plan will not be allowed to charge a tobacco user more than 1.5 times the rate charged to an individual who does not use tobacco.</p> <ul style="list-style-type: none"> ➤ “Tobacco use” is defined as the use of a tobacco product four or more times per week within the prior six-month period. Tobacco use must be defined by insurers in terms of the time since the individual’s last use of a tobacco product. ➤ The tobacco rating factor applies to legal users of tobacco products, generally those 18 and older, and includes all tobacco products. The term “tobacco use” does not include religious or ceremonial uses of tobacco, for example by American Indians and Alaska Natives. |

RATING FACTORS**DETAILS****Family size**

To determine a rate for family coverage, insurers must calculate rates on a per-family-member basis. The specific rates for each family member are combined to determine a total rate for the insured family.

- ▶ Rates of all covered family members age 21 and over are included in the family premium.
- ▶ The rates of no more than three covered children under the age of 21 are included in determining the family premium. Additional children are covered under the family plan but do not increase the premium.

Geography/rating area

Different geographic regions have different costs for health care, and insurers may determine health insurance premiums accordingly.

- ▶ Premium rates may increase or decrease based on where an individual lives or works, and on the price of medical services and the cost of delivering those services in a given region.
- ▶ Each state will have a set number of geographic rating areas that all insurers in the state must use as part of their rate setting process.
- ▶ Rating areas will be based on counties, three-digit zip codes, or Metropolitan Statistical Areas (MSAs).



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