

July 27,
2000

To: Company Presidents
All Companies Writing Health Insurance Business (Indemnity and HMO)

From: Nathaniel S. Shapo, Director

Re: **(CB 2000-09) Bulletin regarding age, group size & compliance with 215 ILCS 93 Small Employer Health Insurance Rating Act**

Reply to: Lynn Shanklin, Life Actuarial Unit (217) 782-1796
lynn_shanklin@ins.state.il.us
Gerald Lucht, Life Actuarial Unit (217) 785-0260
gerald_lucht@ins.state.il.us

For carriers writing small employer group health contracts to Illinois Employers, the Department has received inquiries asking whether age would be an acceptable basis to establish a separate class of business. The same question has been asked regarding group size. The answer in both cases is no.

This Act intends to compress the range of health insurance rates charged to small employers with similar case characteristics. To accomplish this, carriers assign the groups they underwrite to a "class of business" and apply a quantitative test to the distribution of premium rates for groups of similar "case characteristics" within the same "class of business". Refer to the Statute for the definitions of these terms. Neither age nor group size meets the criteria to be a basis for establishment of a class of business.

The Department has also received questions as to whether group size can be used as a case characteristic. The current allowable case characteristics of demographic or geographic factors reflect general differences in health care costs that exist for all groups, regardless of size. While group size is objectively determined, any component of group size which measures the effect of anti-selection is measuring an individual's health status. The Act prohibits the use of claim experience or health status as a case characteristic. Any factor or adjustment intended to measure an administrative expense component attributable to group size must conform to Section 25(a)(2). Any other position would result in avoidance of the intent of the Act.

This Bulletin, and any future communications regarding 215 ILCS 93 Small Employer Health Insurance Rating Act which are deemed relevant to the industry will be posted under Life Actuarial Company Information on the Department's web site <http://insurance.illinois.gov/company/lifeactuarial.asp>.

The Department will mail notice of any future additions to the data contained in the web site to plan personnel or independent actuaries concerned with 215 ILCS 93 compliance, who send a request to be added to the mailing list. The request should be submitted to Lynn Shanklin at the following address: lynn_shanklin@ins.state.il.us. The request should contain the full name and E-mail address for the person/entity wishing to be added to the mailing list.

Related Topics:

[The Small Employer Health Insurance Rating Act](#)