

Composite Premiums in the Small Group Market in Virginia

Note: All carriers and their currently appointed agents are expected to review and become familiar with the information below

The Final Notice of Benefit and Payment Parameter for 2015 published by the Department of Health and Human Services provides for the use of composite premiums in the small group market. Unless a state establishes and the Centers for Medicare and Medicaid Services (CMS) approves an alternate rating methodology, the composite premium is calculated based on an average enrollee premium amount for covered individuals age 21 and older, and an average enrollee premium amount for covered individuals under age 21. The premium for a given family composition is determined by summing the average enrollee premium amount applicable to each family member covered under the plan, taking into account no more than three covered children under age 21.

For plan years beginning on or after January 1, 2015, Virginia's approved alternative composite premium methodology will replace the two-tiered federal premium methodology set forth in the "HHS Notice of Benefit and Payment Parameter for 2015." Virginia's alternative composite premium methodology is four-tiered: Employee, Employee + Spouse, Employee + Children, and Employee + Family.

Carriers may offer small employers the options of "list" billing and the alternative composite premium methodology. Carriers offering the composite premium option to small employers must:

- use the approved Virginia alternative premium methodology;
- first rate all the individuals in a group on a per-member basis following the Market Reform Premium Rules (e.g., standard age factors that reflect the 3:1 limit and state specific geographic rating areas);
- make the option uniformly available to all group health plans enrolling in the product; and
- provide the list billing option for products that offer the composite premium.

The FF SHOP will not use composite premium methods for the 2015 plan year. The FF SHOP plans to allow the federal default composite premium method for the 2016 year for employer plans using the single plan option, but not for employee choice.

Should you have any questions, please contact:

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