August 6, 2013

MCS Guidance – Federal Health Reform

Overview: Health Insurance Market Rules; Rate Review

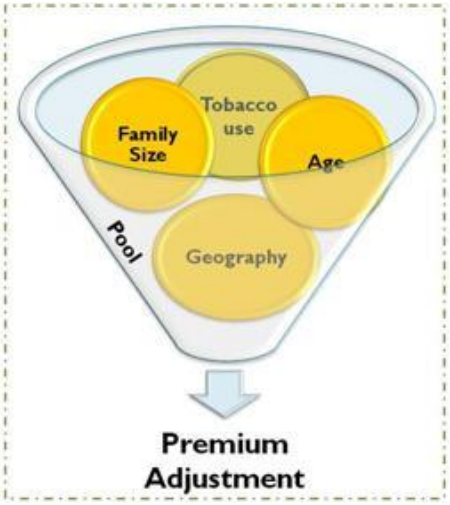
On **February 27, 2013**, the Department of Health and Human Services (HHS) released a final rule which implements provisions related to fair health insurance premiums, guaranteed availability, guaranteed renewability, single risk pools, and catastrophic plans. The rule clarifies the approach used to enforce the applicable requirements of the Affordable Care Act (ACA) with respect to health insurance issuers and group health plans that are non- federal governmental plans. The provisions would apply to non-grandfathered health insurance coverage in the individual and small group markets for plan years (group market) and policy years (individual market) starting on or after January 1, 2014.

Full text of the final rule visit: http://www.gpo.gov/fdsys/pkg/FR-2013-02-27/pdf/2013-04335.pdf

For more information or questions regarding the Federal Health Reform visit our webpage: **https://www.mcs.com.pr** or **c**ontact us at **mcshealthpolicy@medicalcardsystem.com**

Fair Health Insurance Premiums

Premium adjustments are allowed based on these minimum standards:



Age: 3:1 ratios for adults age 21 to 64 and actuarially justified for children; uniform age bands and age curves. In other words, the highest price will never be more than 3 times the amount of the lowest price.

Tobacco use: Allow rates based on tobacco use by factor up to 1.5.

Family size: Issuers may vary rates based in the number of adults and children in a family. States may establish uniform family tiers; otherwise, federal rules apply.

Geography: States may establish geographic rating areas, subject to federal standards and approval. **Puerto Rico constitutes only one (1) geographic region.**

Updating Rate Review

The Rate Review process adds standards for assessing premium increases in Effective Rate Review Programs and rate increases. All rate actions must be reported to monitor rate increases across the market. Any rate increase 10 percent or higher is subject to review and approval by the Office of the Insurer Commissioner before their effectiveness.

This document is intended to provide useful information to MCS clients, providers and/or beneficiaries. However, this communication does not constitute any type of legal counseling, nor does it substitute the judgment of any professional that you may consult.

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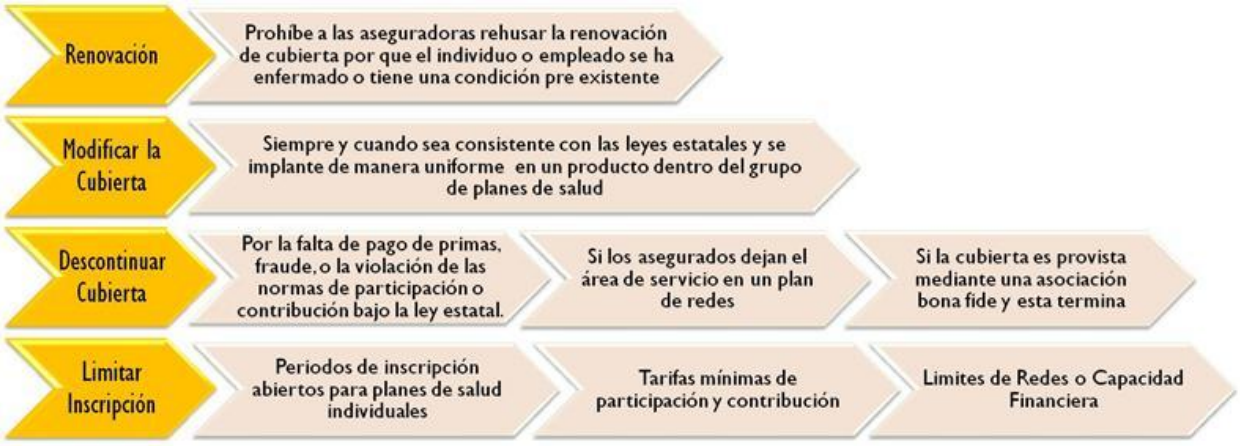
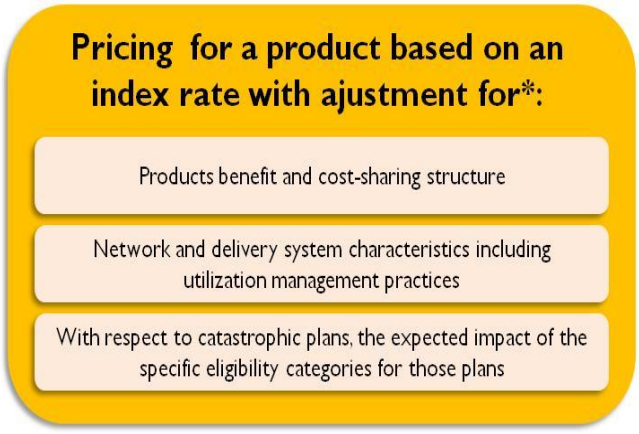
Guarantee Availability and Renewability of Coverage

New Scenarios under ACA:



Single Risk Pool



*In other jurisdictions, rates will be based on risk adjustments and stabilization payments.

Premium and annual rate changes would be based on the health risk of the entire pool. The pool index rate would be use to set rates for all products of the issuer in that particular market. This rule constituted a significant change from current rating practices since rates will not be affected by health status.

MCS Plan

1. MCS is evaluating all of its policies and procedures in order to comply with the Rate Review, Single Risk Pool Methodology, and Guarantee Availability and Renewability of Coverage established by the federal and local agencies.
2. MCS is working to minimize the impact on the cost of the premiums for the participants enrolled in our product lines.
3. MCS is committed to constantly monitor health reform changes and is in full compliance with all the ACA implementation.

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