



## WS&Co. Briefing

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# HHS' New Age Rating Methodology for Small Groups in 2018

The Department of Health and Human Services (HHS) issued a new rule for 2018 that will likely result in significant premium increases for small employer plans that cover employees and/or dependent children between ages 15 and 20. Although states have the option to adopt their own age banding rules rather than use this new default methodology, we are finding that many carriers are proceeding forward with HHS' new age banding for the states that currently use the default methodology.

Under the prior rule, insurance carriers in the small group market had to use one single age band for calculating the premiums for individuals in the 0 to 20 age group. Then, beginning with age 21, carriers could apply the true actuarial rate for that individual, which resulted in a significant spike to his/her premium.

In an effort to minimize this specific increase, HHS issued a new rule for 2018 that permits insurance carriers to: (A) apply one single age band for children ages 0 to 14 (instead of 0 to 20); and then (B) apply individual ratings for participants from ages 15 to 63 (instead of 21 to 63).

As a result of this new change, the premium rates in 2018 could have a significant increase for (1) employees who are under age 21; or (2) employees who cover dependents between the ages of 15 to 20 because their premiums can be increased every single year after age 14. See the illustrative chart below:

Small Group Age Bands	2017 Plan Year	2018 Plan Year
Age Band	0-20 (one band)	0-14 (one band)
Age Band	21-63 (individual band)	15-63 (individual bands)
Age Band	64+ (one band)	64+ (one band)

Note that these age bands are the default federal standard for non-grandfathered plans, and states are allowed to adopt their own age bands/curves if they so choose. As of CMS' June 2017 published chart, the only states that have adopted their own bands are Washington DC, Massachusetts, Minnesota, Mississippi, New Jersey, Oregon and Utah. All other states will be applying the new 2018 age rating unless they notify HHS that they will be adopting their own age bands.

Insurance carriers have already begun to move forward with rate increases for the 2018 renewals for the small group markets in California and many other states. If your plans were already renewed sometime in 2017, these rules will apply at your next renewal in 2018. Please contact your Woodruff-Sawyer service team for help working through this issue.

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