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Frequently Asked Questions

RATES AND PREMIUMS

Individual and Small Group Major Medical Health Insurance

(These FAQs refer ONLY to major medical health insurance)

What is individual insurance? What is small group insurance?

Individual health insurance is insurance that you buy from an insurance company for yourself and/or your family. You will pay a premium for the insurance, and will owe some part of the costs of your medical care.

Small group health insurance is insurance purchased by a small employer (with 50 or fewer employees). Employees can join the health insurance to cover themselves, and sometimes their family members. Generally, your employer deducts some portion of the premium for this insurance coverage from your paycheck.

What is a policy?

A **policy** is the contract between you and the health insurance company. The policy spells out the insurance company's obligations to you, and your obligations as well.

What is the difference between rates and premium?

Premium is the dollar amount an insured person pays to the insurance company for the insurance coverage. A person, and/or employer, usually pays premium monthly, quarterly, or yearly.

Rates are the cost of a specific plan's benefits, adjusted for the *age, zip code, smoking status, and family size* of each possible insurance applicant. Insurance companies must file charts of all of these possible rates with the Department of Insurance before using the rates to calculate premium.

Premium is determined for a specific insurance applicant by adding together the various components of the **Rates**, plus any fees (such as a fee for paying by credit card).

What factors can a company use to increase my premium?

Insurance companies can adjust your annual premium based *only* on your: 1) age, 2) tobacco use, 3) covered family members (number and ages), and 4) zip code.

I have a disease; does that make my premium higher?

No. Insurance companies must accept all customers who want to buy a major medical health insurance plan. The company may NOT charge you extra for having a health condition. This is true when the company issues, and when it renews, your policy.

How often can an insurance company change my premium?

Annually, at renewal of your policy.

Is there a limit to how much my insurance company can increase my premium?

There is no legal cap on premium increases. However, the insurance company only can increase your premium by the amount that it has filed with the Department of Insurance. When filing an increase, the Insurer must justify the increase by explaining why it has to charge more next year (see next question). You are entitled to see and comment on these rate changes. Visit our rate review website page to learn more, at <https://insurance.az.gov/consumers/help-health-insurance/information-about-health-insurance-rate-increases> .

How does my company decide how much to increase my premium?

Insurers consider many factors before filing the **rates** for a particular plan, including but not limited to: the amount of the medical claims received, the amount of medical claims anticipated in the future, the cost of medical care, expected income from premium payments, and administrative expenses. In particular, insurers set **rates** and calculate **premium** for future customers based on the *past* claims experience of current customers, and the *anticipated* claims experience of future customers.

An insurer estimates the number and sickness level of customers it will have next year. The company raises rates if covering the medical claims for those customers will cost more than this year cost. Insurers use actuaries to evaluate all this data and to help determine the rates for the next plan year.

Does the Arizona Department of Insurance and Financial Institutions (DIFI) approve an increase in my premium?

No. Arizona law does not permit DIFI to approve or disapprove rate increases. However, insurers must file rate changes with DIFI before using those rates to calculate premium. DIFI is required to review all individual and small group major medical health insurance rates to ensure that the rates are reasonable, based on the legal standards that apply. (Legal Standards available at http://www.ecfr.gov/cgi-bin/text-idx?SID=09179ad6214b7033a7036b3758543ddc&mc=true&tpl=/ecfrbrowse/Title45/45cfr154_main_02.tpl)

Arizona has been designated an Effective Rate Review state in accordance with *federal standards* (learn more about Effective Rate Review at https://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/rate_review_fact_sheet.html).

DIFI and its actuaries carefully analyze an insurer's justification for a rate increase of 15% or more—called a “threshold rate increase.” With the help of actuaries, the DIFI decides if a threshold increase is reasonable or unreasonable.

What happens if DIFI finds a rate increase unreasonable?

If DIFI determines that a threshold increase of 15% or more is unreasonable, DIFI advises the insurance company of the unreasonable determination. DIFI gives the insurer a chance to file a *smaller* rate increase. The insurance company may decline and choose to calculate premium for its customers based on the higher unreasonable rate increase. However, the insurance company then must publically disclose on its website that DIFI determined the increase to be unreasonable, and must provide a justification for using the unreasonable rate increase. Customers can view insurer explanations for significant rate increases at <https://ratereview.healthcare.gov/>.

Will my premium go up each year?

The cost of medical care has gone up each year. New tests, medical procedures, and drugs become available each year. Therefore, it usually costs an insurer more each year to pay the claims for its customers. Sometimes, however, an insurer may decrease its rates, or decrease rates on some of its plans.

Even if an insurer decreases the rate for your plan, your rate may stay the same or increase because your premium will increase as you age. Insurers charge the same amount per child for each child age 14 and under, but beginning at age 15 the monthly premium cost will go up gradually every year until age 64.

Why was my premium increase greater than the percentage listed on the Department's website?

Each year, the DIFI publishes insurers' overall rate changes on its website. This is the average rate change for all Individual or Small Group plans offered by the insurer. However, the premium change for your particular plan may be greater or less than the overall average change. Your premium may also go up because you and your covered dependents are a year older, or if you have moved to a new county.

In addition, if you receive advanced premium tax credit (APTC), the amount you are responsible to pay will change each year based on your income, the percentage of your income that you are expected to contribute toward health insurance premium, and the premium of the second lowest cost silver plan in your area. All of these factors combine to determine what your APTC will be for the next year, which in turn determines how much you will need to pay in premium every month. Even if an insurer decreases its rates for your plan, you might pay more if your APTC amount changed.

My insurer sent me a rebate on my premiums. Does this mean my premium will go down next year?

Receiving a rebate this year does not mean that your premium will decrease next year.

Most insurance companies that cover individuals and small businesses are required to calculate their medical loss ratio (MLR) every year and provide a rebate to enrollees if this ratio does not meet minimum standards. The insurers must spend at least 80% of their premium income on health care claims and quality improvement. When a consumer receives a rebate, that rebate is based on the insurer's performance in the previous three years.

As noted above, your insurance company creates charts of rates (and calculates your premium) based on how much it cost the company last year to pay medical claims for all of its customers, and how much it estimates the cost will be next year. The insurer's rates may reflect information that it did not have or which did not apply during the time period for which you received a rebate—for example, there may be

new laws requiring certain coverage, or there may be a different number of insurers offering coverage in your area, all of which will impact the cost of coverage.

Your premium may have also increased for other reasons. Your premium will increase as you and your dependents age, and it may increase if you have moved to a new county, or if you now use tobacco. If you receive advanced premium tax credit (APTC), the amount you pay in premium will change based on your income and based on the other factors used to determine the amount of your APTC.

What is the difference between a bronze, silver and gold plan?

Plans offered on the Marketplace fall into one of a few categories of “metal level” based on what percentage of costs the plan will cover for an average person.

- Bronze plans cover roughly 60% of healthcare costs.
- Silver plans cover roughly 70% of healthcare costs.
- Gold plans cover roughly 80% of healthcare costs.
- Platinum plans cover roughly 90% of healthcare costs. (No platinum plans are offered in the individual market in Arizona.)

You should expect to pay more in premium for a gold plan than a bronze plan, but you should also expect the gold plan to cover more of the cost of healthcare, because it will have a lower deductible and/or lower copays and coinsurance. See <https://www.healthcare.gov/choose-a-plan/plans-categories/> for a more detailed overview of the difference between the different metal level plans.

How can I reduce my premium?

DIFI recommends that, each year, you look at all plans available for the next year and find the plan that will work best for you. You can buy a plan with a lower monthly premium, but **beware** because this may mean you will have to pay more from your pocket if you get sick. This is particularly true if you are switching from a higher metal level (gold or silver) plan to a lower metal level (silver or bronze) plan. You can talk with a *navigator* for help looking at plans, or an *agent or broker* for recommendation of a plan that will work for you. You can find help in your area at <https://localhelp.healthcare.gov/#intro>.

In addition, the Affordable Care Act provides a tax credit for some health insurance customers. The credit is called the Advanced Premium Tax Credit, or APTC. To get an APTC, you **MUST** do two things: 1) buy your plan for next year on the federal health insurance Marketplace or Exchange at <https://www.healthcare.gov/>, and 2) buy your plan on the Exchange during the open enrollment period (for coverage in 2021, November 1, 2020 through December 15, 2020). You must purchase your plan on the Exchange by December 15 for coverage to be effective on January 1. You also can search on <https://www.healthcare.gov/> to find out if you qualify for an APTC.

Can I comment on my insurance company’s rate increase?

DIFI encourages comments on rate increases. You may send your comment to ratereview@difi.az.gov.

Can I see a history of an insurance company’s rate increases?

Yes. DIFI publishes information about rate increases on the website at <https://difi.az.gov/consumer/i/health/rates>.

How can I learn more about health insurance rates and premiums?

Visit the Rate Review web page on the DIFI website at <https://difi.az.gov/consumer/i/health/rates>

On this Rate Review web page, you can:

- View charts of rate increases and decreases that companies filed with DIFI,
- View other helpful rate information,
- Find directions for searching rate filings that each company filed with DIFI when increasing rates,
- Sign up to receive notices about threshold rate increases (via “MailChimp” notification service), and
- Comment on rate increases (via an email link).