Minimum loss ratio requirements

A minimum medical loss ratio is a requirement that insurers spend, at least, a specific percentage of premium dollars on medical care rather than on administration, marketing and profit.

North Dakota minimum loss ratio requirements

Hospital/surgical/medical Major medical	Group	70%
	Individual	55%
Medicare Supplement	Group, direct response	75%
	Individual	65%
Long-term care	Policy forms filed prior to 8/1/03	60%
	Policy forms filed 8/1/03 and later	No initial minimum loss ratio requirement. Company actuary must certify that "premiums are expected to be adequate to cover claims under moderately adverse experience."
Specified disease (cancer)	Group	60%
	Individual	Depends on type of contract: a. Noncancelable—50% b. Guaranteed renewable—55% (most are this form) c. Optionally renewable—60%
Credit		45%
All other		Depends on type of contract, applies to both group and individual: a. Noncancelable—50% b. Guaranteed renewable—55% c. Optionally renewable—60%

Regional minimum loss ratio requirements—major medical		
	Group	Individual
North Dakota	70%	55%
South Dakota	75%	65%
Montana	n/a	n/a
Iowa	75%	65%
Kansas	75%	65%

Minnesota

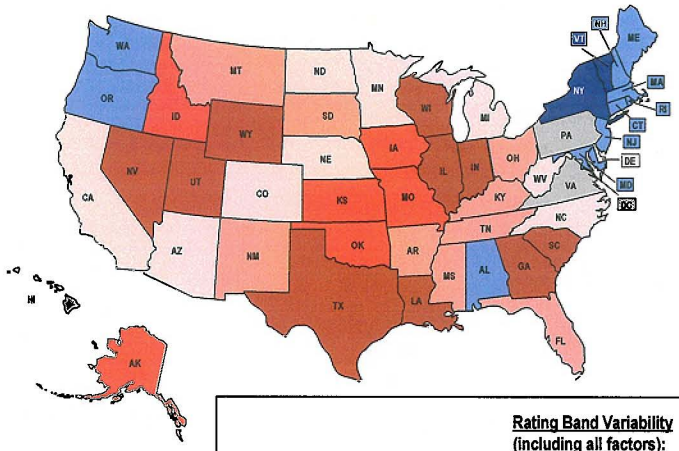
1. For insurance companies:
    a. If the company is assessed 10% or less of the total MCHA assessment (MCHA is similar to CHAND)
        - Individual—60%
        - Small group—60%

    b. If the company is assessed more than 10% of the total MCHA assessment
        - Individual—72%
        - Small group—82%

2. For HMOs and nonprofit health service plan corporations:
    a. If the company is assessed less than 3% of the total MCHA assessment
        - Individual —68%
        - Small employer with less than 10 employees—71%
        - Small employer with 10 or more employees—75%

    b. If the company is assessed 3% or more of the total MCHA assessment
        - Individual—72%
        - Small employer—82%

Small Group Premium Variation

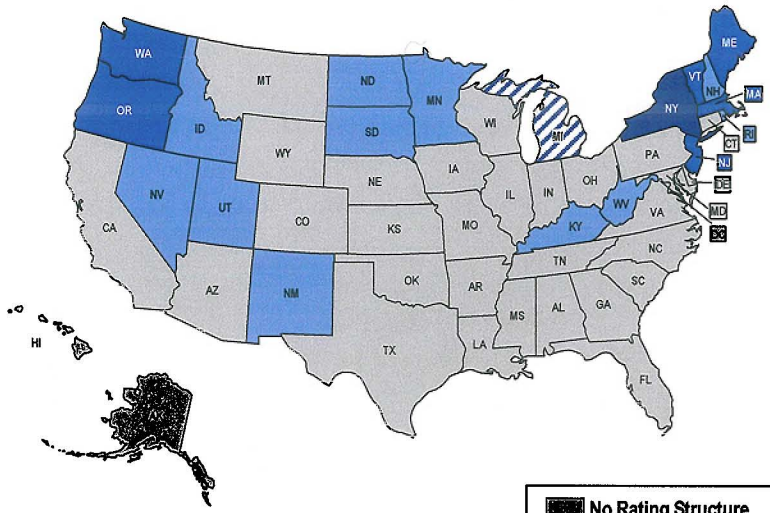


*Note: Michigan HMOs and Blue Cross/Blue Shield are restricted to 3.12:1 maximum variation. All others may use 3.96 maximum variation

Community Rating
Adjusted Community Rating
No Rating Structure

Rating Band Variability (including all factors):
- 13:1 or less
- 13.1:1 – 19:1
- 19.1:1 – 25:1
- 25.1:1 or greater

Individual Market Rating Rules



No Rating Structure
Community Rating
Adjusted Community Rating
Rating Bands
Hybrid
Michigan Blue Cross/Blue Shield must use community rating. There is no rating structure for other carriers.

Modified community rating

Individual rating—Rates are individualized for each person.

Community rating—Rates apply to the whole community or group.

Modified community rating—This is a combination of individual and community rating, based on age, gender and industry.

Three options for pricing structures include:

1. Individual Age Pricing
    - Each issue age has its own premiums.
    - As age increases, higher premiums are charged.
2. Pure Community Rating
    - Each group has its own premium rate.
    - Each individual in the group is charged the same rate.
3. Modified Community Rating
    - This is between individual age pricing and pure community rating.
    - This is a pricing system that allows for younger individuals to be charged slightly higher rates and older individuals lower rates than would be actuarially justified by the claims data.

Individual Modified Community Rating laws

- Individual modified rating laws were adopted in 1995 in North Dakota.
- Premium rates charged during a rating period may not vary by a ratio of more than 5 to 1 (after 8/1/96), when age, industry, gender and duration of coverage of the individuals are considered. For issues after 1/1/97, only age and industry can be used as rating factors.

Small Group Modified Community Rating laws

- Applies to groups of 2-25 eligible employees
- Small employer modified rating laws were initially adopted in North Dakota in 1993; additional restrictions were adopted in 1995.
- Premium rates for a health plan may not vary by a ratio greater than 4 to 1 (after 1/1/97).
- The index rate for a rating period for any class of business may not exceed the index rate for any other class of business by more than 15%.
- For a class of business, the premium rates charged during a rating period may not vary from the index rate by more than 20% of the index rate.

Comparison of Employer-Sponsored Insurance Family Premium Growth to Wage Growth 1999-2009

State	Premium growth (%)	Wage growth (%)
Alaska	145	35
Oregon	139	39
Indiana	136	42
Connecticut	135	55
D.C.	133	46
Delaware	132	42
Arizona	132	45
Wyoming	130	55
Washington	129	46
Minnesota	128	48
Tennessee	126	49
West Virginia	123	39
Rhode Island	122	38
Florida	121	43
Maine	120	35
Alabama	119	40
Iowa	119	45
Massachusetts	119	35
New Hampshire	119	45
Nebraska	118	53
California	118	44
New Mexico	118	50
Arkansas	117	32
North Carolina	117	36
South Carolina	116	39
Vermont	114	38
Colorado	114	46
Georgia	113	39
Utah	113	44
Mississippi	112	46
Missouri	112	46
Kentucky	111	42
Pennsylvania	110	50
Montana	110	44
Virginia	109	41
Wisconsin	108	30
Ohio	108	40
Hawaii	107	37
Kansas	105	39
New York	105	44
South Dakota	104	33
Illinois	103	45
North Dakota	101	37
Texas	100	41
Nevada	97	43
Maryland	96	44
Oklahoma	96	47
Idaho	96	43
New Jersey	95	38
Louisiana	89	44
Michigan	88	52

Premium data obtained from the Center for Financing, Access and Cost Trends, AHRQ, Medical Expenditure Panel Survey - Insurance Component, 1999, Table II.D.1 and the Center for Financing, Access and Cost Trends, AHRQ, Medical Expenditure Panel Survey - Insurance Component, 2008, Table X.D. Premiums for 2009 were projected from 2008 based on Centers for Medicare and Medicaid Services, "National Health Expenditure Data."

Wage data is from NBER extracts of MORG and available at http://www.nber.org/more/annual.