



October 22, 2015

**To:** All Minnesota Health Plan Companies

The purpose of this letter is to provide guidance on Minnesota requirements and deadlines applicable to reflect changes to the small group market size definition for Plan Year 2016 as a result of the PACE Act.

Based on the ACA, the small group size definition had been scheduled to move from one to 50 employees to one to 100 employees on January 1, 2016. However, on October 7, 2015, the President signed the PACE Act, which changes the size definition back to 1-50. Under this change, an employer who employs an average of 1-50 employees is a "small employer," while an employer who employs more than 50 employees is a "large employer."

The PACE Act allows the states flexibility to move to 1-100 if they choose; however, Minnesota Statute section 62L.02, subd. 26 (a) defines a small group employer as at least one but no more than 50 employees, and therefore Minnesota's small group employer definition will remain at 1-50 for Plan Year 2016.

It is expected that each carrier in the small group market will formally communicate with the Departments about the implications of the PACE Act on rates and forms via SERFF, and it is further expected that all carriers must justify that given the PACE Act, Plan Year 2016 rates are justified regardless of whether the carrier plans to change rates or not. The information below provides more details on the formal process we expect carriers to follow in reacting to the PACE Act.

### **Instructions for Updating Plan Year 2016 Rates**

Carriers are expected to change rates for the entire Plan Year 2016, starting with Quarter 1, using a similar quarterly (or for a few carriers, semi-annual) inflation schedule as filed in the original approved rate filing.

If a carrier finds that changing the first quarter's rates presents an unreasonable administrative burden, the carrier should submit a formal request in writing to delay

October 22, 2015  
Page Two

the rate affect for one quarter (even if semi-annual rates were filed), describing the administrative burden in detail. Please send such requests to Kristi Bohn at [Kristi.Bohn@state.mn.us](mailto:Kristi.Bohn@state.mn.us) by October 30, 2015. If you are granted a request for delay, rate filings for second quarter are due November 15, 2015.

Some carriers will choose to change rates because the rating affect is material. Carriers choosing to change rates must prepare a revised Part III Actuarial Memorandum describing the rate affect that was originally anticipated, including the actuarial assumptions that justified that original value. The revised document must justify that the changed rates are still reasonable, justified, not excessive, not inadequate, and in close alignment with the assumptions backing the original approved filing. The carrier must also revise the rate tables, the URRT, and possibly (if now over 10%) file a plain language Part II narrative.

Alternatively, carriers choosing to not change rates must prepare an actuarial report describing the rate affect that was originally anticipated, including the actuarial assumptions that justified that original value, as well as the actuarial implications of not changing rates given the changed regulation. Such report must justify that the unchanged rates are still reasonable, justified, not excessive, and not inadequate. The report must be signed by a credentialed actuary.

When the carrier is ready to post revised documents on SERFF, please contact Melinda Domzalski-Hansen at [Melinda.Domzalski-Hansen@state.mn.us](mailto:Melinda.Domzalski-Hansen@state.mn.us) in order to reopen the binder and the rate filing. After reaching approval, Commerce and Health staff will reopen the HIOS (healthcare.gov) submissions so those can be corrected by the carrier as well.

Please label this report "PACE ACT small employer size impact." This document will be considered public and will be posted via the SERFF public access portal.

### **Instructions for Forms Changes**

Regardless of whether a carrier plans to change rates in recognition of the PACE Act, the carrier may have application forms, policy forms, or certificates of coverage that mention the 1-100 employee count. In this case, please contact Melinda Domzalski-Hansen at [Melinda.Domzalski-Hasnen@state.mn.us](mailto:Melinda.Domzalski-Hasnen@state.mn.us) in order to reopen the affected form filing (please provide the applicable SERFF tracking Number).

October 22, 2015  
Page Three

**Deadlines**

Please submit the required reports, forms, and tables via SERFF and quarter one delay requests via email by October 30, 2015.

Sincerely,



Mike Rothman  
Commissioner  
Minnesota Department of Commerce



Edward P. Ehlinger, MD, MSPH  
Commissioner  
Minnesota Department of Health