New statewide pool for small groups
Smaller groups tend to have larger fluctuations in claims – and thus premium increases - from year to year. In order to stabilize premiums, the Minnesota Healthcare Consortium (MHC) will, in 2020, combine our smaller groups; using a statewide rating formula statewide for our groups with 2 to 50 contracts. By combining all small groups into one pool, statewide economies of scale will provide more stable annual increases in 2020 and more predictable renewals in the future.

Renewal Bands Explanation
Groups will be placed in the three renewal bands listed below according to a hybrid formula for each group; based on their:

Risk factors: Group claims vs manual rate (plan design value, census and region)
Premium factors: Current group premium level vs benefit utilization

Based on the above calculation, groups received either 4%, 7.5%, or 12.5% renewal increase.

One plan promotes rate stability
Having only one plan design promotes rate stability. This is because having only one plan eliminates adverse selection *. Adverse selection can occur by having a choice of plans with higher and lower benefit value. Invariably, healthy employees will choose a less expensive, higher deductible plan and less healthy employees will choose a higher cost, lower deductible plan. This will result in a smaller premium for the group; often this results in a combined premium of the high and low cost plans that is insufficient to fund the group’s overall claims.

Re-aligning each plan for groups with more than one plan
Groups with more than one health plan have traditionally received the same rate increase for all of their plans. Over time, this practice creates an imbalance between a plan’s premium and benefit value relative to the premium and benefit value of other plans that are offered.

Why is this important? Without periodic rate realignment, members may end up paying higher premiums than they should for high deductible plans and lower premiums than they should for low deductible plans. We will assist our small groups in evaluating how rate realignment may help their group. This will be an optional process, since rate realignment may not be practical for all groups with more than one plan.

Statewide pool features and benefits
Our new statewide small group pool will provide:

- A statewide shared risk arrangement that shares the risk of all of our small groups on a statewide, rather than regional, basis in order to promote rate stability.
- A common renewal rating formula will apply to all groups in the new statewide pool. This will encourage a lower, overall renewal increase for all participating members.
- The small groups in the pool will remain able to select their own benefit design; maintaining local control of benefit decisions.
- Wellness programs will continue to be available that will encourage healthy behaviors; promoting health and well-being.

*Adverse risk selection is any activity that allows or encourages individuals to selectively purchase only the insurance they need when they perceive to need it. This is contrary to group insurance risk sharing where all participants share risk equally. Adverse risk results in underfunded group plans where premium is inadequate to fund claims, resulting in higher premium increases applicable to the entire group.