

Arkansas Insurance Department

Asa Hutchinson
Governor



Allen Kerr
Commissioner

BULLETIN NO.: 15-2015B

TO: ALL LICENSED INSURERS, HEALTH MAINTENANCE ORGANIZATIONS, FRATERNAL BENEFIT SOCIETIES, FARMERS' MUTUAL AID ASSOCIATIONS OR COMPANIES, HOSPITAL MEDICAL SERVICE CORPORATIONS, NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS, PRODUCER AND COMPANY TRADE ASSOCIATIONS AND OTHER INTERESTED PARTIES.

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: MEDICAL LOSS RATIO TRANSITION YEAR UNDER PACE

DATE: JANUARY 30, 2017

On December 18, 2015, the Arkansas Insurance Department (AID) issued AID Bulletin # 15-2015A addressing medical loss ratio allowances impacted by the PACE Act ("Protecting Affordable Coverage of Employees Act"). PACE permitted states to maintain its current definition of "small group" in the small group market for ACA subject policies. Current State law at this time, both under Ark. Code Ann. § 23-86-303(34) as well as under § 23-61-802(7)(A) define small employer as having not more than fifty (50) employees.

In AID Bulletin # 15-2015, the Department stated that, although a small group issuer would be permitted to follow State law as to the numerical range of employees constituting a small employer, the small group issuer however would be permitted to use a one (1) to one-hundred (100) employees medical loss ratio (MLR) allowance for purposes of determining the MLR for small group health insurance.

On October 19, 2015, the Centers for Medicare and Medicaid Services (CMS) issued a publication, "Frequently Asked Questions on the Impact of PACE Act on State Small Group Expansion" maintaining that States which use a 2-50 small group size have to follow the same numerical range of the small employer definition for purposes of MLR. CMS however allowed for a transition year of 2016 to allow for this adjustment by the small group issuers. The Department's latest bulletin addressing this transition period in AID Bulletin # 15-2015A referred to a 2015 transition year for MLR; however, to be consistent with the CMS position allowing for a 2016 transition year, the Department will permit a small group issuer to use the

1-100 (employees) size number for small group policies issued in 2016 for purposes of MLR calculations. A small group issuer may however elect to use the (2-50) size small group for 2016 issued policies should it not prefer to take a transition year for 2016 issued policies.

Questions concerning this Bulletin should be directed to the Arkansas Insurance Department's Legal Division at (501) 371-2820 or via email to insurance.legal@arkansas.gov.



ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS

2-1-2017

DATE