



DEPARTMENT OF

# Professional & Financial Regulation

STATE OF MAINE

- OFFICE OF SECURITIES
- BUREAU OF INSURANCE
- CONSUMER CREDIT PROTECTION
- BUREAU OF FINANCIAL INSTITUTIONS
- OFFICE OF PROF. AND OCC. REGULATION

# Medical Insurance Geographic Factors in Maine

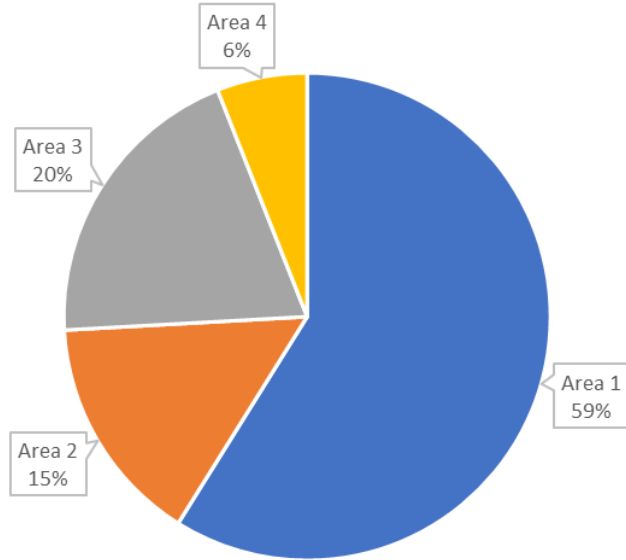
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MAINE BUREAU OF INSURANCE

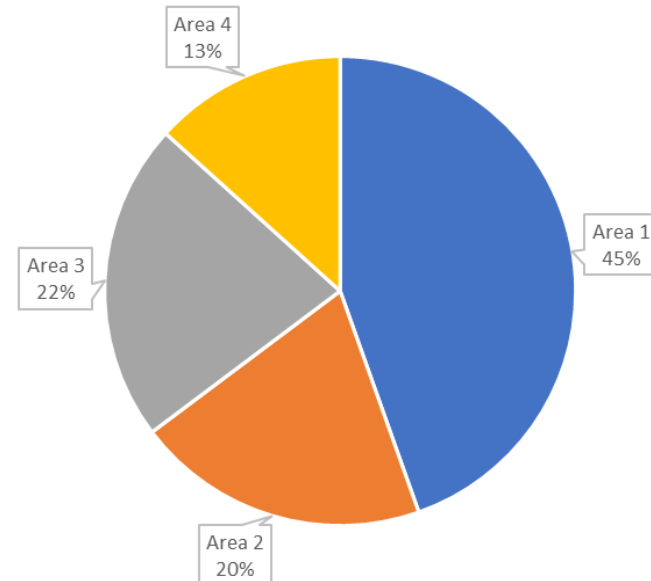
MAY 2021

# Membership Distribution by Area

2020 Small Group Member Months



2020 Individual Member Months



There are 4 geographic rating areas: Area 1: Cumberland, Sagadahoc, York; Area 2: Kennebec, Knox, Lincoln, Oxford  
Area 3: Androscoggin, Franklin, Penobscot, Piscataquis, Somerset, Waldo; Area 4: Aroostook, Hancock, Washington  
Area 4 is the area that stands to gain the most due to LD 1331. Area 4 makes up a smaller portion of the whole market. Due to its smaller market share as the following slides show charge to area 4 could be subsidized by moderately increasing premium in the other areas.

# CHO Area Factor Example

Control				
Area	CHO Ind.	Area Factors	Avg Base Rate	Base Rate * Area Factor
1		0.89	\$395.00	\$351.55
2		0.97	\$395.00	\$381.18
3		1.02	\$395.00	\$402.90
4		1.31	\$395.00	\$518.87

Control example shows the effect area factors have on the base rate.

Factor Change				
Area	CHO Ind.	Area Factors	Avg Base Rate	Base Rate * Area Factor
1		0.68	518.87	351.55
2		0.73	518.87	381.18
3		0.78	518.87	402.90
4		1.00	518.87	518.87

Factor change example showcases how area factors and base rates can change to achieve the original final premium.

Ratio Change				
Area	CHO Ind.	Area Factors	Avg Base Rate	Base Rate * Area Factor
1		0.89	\$395.00	\$351.55
2		0.965	\$395.00	\$381.18
3		1.02	\$395.00	\$402.90
4		1.2015	\$395.00	\$474.59

A ratio change limits the range in which the highest and lowest area factors can differ from each other. This example shows that value can be added to area 4.

No Area Factor				
Area	CHO Ind.	Area Factors	Avg Base Rate	Base Rate * Area Factor
1		1	\$400.48	\$400.48
2		1	\$400.48	\$400.48
3		1	\$400.48	\$400.48
4		1	\$400.48	\$400.48

Removing the area factor completely could result in base rate changes in order to achieve net neutral revenue. In this example, both area 3 and 4 benefit from the change.

# Geographic Rating for ACA Individual and Small Group Plans in Maine

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All geographic rating factors are at or below 1.325.

Each carrier has rating factors that are within a ratio of 1 to 1.5.

Current statute states that a “carrier may vary the premium rate due to geographic area in accordance with the limitation set out in this paragraph. For all policies, contracts or certificates that are executed, delivered, issued for delivery, continued or renewed in this State on or after July 1, 2012, the rating factor used by a carrier for geographic area may not exceed 1.5. [PL 2011, c. 90, Pt. A, §2 (NEW).]”

# Current Individual Market Geographic Factors

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Company	Geographic Area	Area Factor	Spread or Ratio
Anthem	Area 1	0.924	1.298
	Area 2	0.985	
	Area 3	1.021	
	Area 4	1.200	
Harvard	Area 1	0.945	1.402
	Area 2	1.000	
	Area 3	1.050	
	Area 4	1.325	
Community Health Options	Area 1	0.890	1.476
	Area 2	0.965	
	Area 3	1.020	
	Area 4	1.314	

# Current Small Group Geographic Rating Factors

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Carrier	Area 1	Area 2	Area 3	Area 4	Ratio or Spread
Aetna Life	0.862	0.935	1.078	1.207	1.400
Anthem	0.920	0.975	1.011	1.237	1.345
Harvard	0.945	1.000	1.050	1.325	1.402
Community Health Options	0.890	0.965	1.020	1.314	1.476
UnitedHealthcare	0.952	0.974	0.993	1.123	1.181

# Individual Weighted Premium Impact of 1.25 Geographic Factor Restriction

		Area Factor	PMPM	PMPM Change	% Change
Harvard	Area 1		\$628	\$3.80	0.6%
	Area 2		\$700	\$3.80	0.5%
	Area 3		\$705	\$3.80	0.5%
	Area 4	1.25	\$872	-\$52.30	-6.0%
	Total		\$674		
Community Health Options	Area 1		\$572	\$6.64	1.2%
	Area 2		\$654	\$6.64	1.0%
	Area 3		\$714	\$6.64	0.9%
	Area 4	1.25	\$893	-\$45.46	-5.1%
	Total		\$667		

# Individual Weighted Premium Impact for Geographic Factor 1.0

Company	Geographic Area	Area Factor	PMPM	PMPM	% Change
Anthem	Area 1	lower	\$290	\$51.00	17.6%
	Area 2	lower	\$425	\$51.00	12.0%
	Area 3	1	\$572	-\$12.06	-2.1%
	Area 4	1	\$797	-\$159.23	-20.0%
	Total		\$468		
Harvard	Area 1	lower	\$628	\$49.17	7.8%
	Area 2	1	\$700	\$0.00	0.0%
	Area 3	1	\$705	-\$35.23	-5.0%
	Area 4	1	\$872	-\$283.27	-32.5%
	Total		\$674		
Community Health Options	Area 1	lower	\$572	\$66.03	11.5%
	Area 2	lower	\$654	\$66.03	10.1%
	Area 3	1	\$714	-\$14.29	-2.0%
	Area 4	1	\$893	-\$280.19	-31.4%
	Total		\$667		



# Individual Weighted Premium with No Geography Rating Impact

Company	Geographic Area	PMPM	PMPM Change	% Change
Anthem	Area 1	\$290	\$178	61.2%
	Area 2	\$425	\$43	10.1%
	Area 3	\$572	-\$104	-18.1%
	Area 4	\$797	-\$329	-41.3%
	Total	\$468		
Harvard	Area 1	\$628	\$46	7.4%
	Area 2	\$700	-\$26	-3.7%
	Area 3	\$705	-\$30	-4.3%
	Area 4	\$872	-\$198	-22.7%
	Total	\$674		
Community Health Options	Area 1	\$572	\$95	16.5%
	Area 2	\$654	\$14	2.1%
	Area 3	\$714	-\$47	-6.6%
	Area 4	\$893	-\$226	-25.3%
	Total	\$667		

# Small Group Weighted Premium Impact with No Geographic Rating

Company	Geographic Area	PMPM	PMPM Change	% Change
Harvard - HMO	Area 1	\$434	\$33	7%
	Area 2	\$453	\$14	3%
	Area 3	\$569	-\$102	-18%
	Area 4	\$708	-\$241	-34%
	Total	\$467		
Harvard - PPO	Area 1	\$623	\$20	3%
	Area 2	\$602	\$42	7%
	Area 3	\$739	-\$96	-13%
	Area 4	\$787	-\$144	-18%
	Total	\$643		
Community Health Options	Area 1	\$466	\$29	6%
	Area 2	\$505	-\$10	-2%
	Area 3	\$530	-\$35	-7%
	Area 4	\$736	-\$242	-33%
	Total	\$495		

# Rule 945 data for 2020

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Data used is based on Rule 945 reports for calendar year 2020 as submitted by carriers and not independently verified by the Bureau of Insurance.

Weighted average premium impact was calculated using reported member months and direct premiums written.

Data reported by geographic service area is not always large enough to be credible therefore some carriers were left out of the impact calculations.

Calculations were based on removing the charge above the restricted factor from Area 4 and applying equally to all other geographic areas. This is not necessarily the approach a carrier would take for pricing if the restrictions were put in place.

# Maine Bureau of Insurance

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