

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 3505

**DATE:** March 24, 2006

**Version:** First engrossment

**Authors:** Hamilton and others

**Subject:** Geographic rating bands for health insurance

**Analyst:** Thomas R. Pender, 651-296-1885

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### Overview

This bill involves "geographic rating bands" used for health insurance premiums in the individual and small employer markets. A "rating band" is the range of premiums between the highest and lowest premium charged by an insurer for an insurance product. The "index rate" is simply the midpoint between the highest premium and the lowest premium in a rating band. "Geographic rating bands" refers to rating bands, and therefore index rates, that vary by geographic region.

Current law permits a health insurer to have up to three geographic pricing regions in the state; requires that the third one, if used, must be the Twin Cities metro area; forbids index rate variations of more than 20 percent between regions; and forbids the index rate in a rural area to exceed the index rate used by that insurer in the metro area. These geographic variations require approval of the commissioner, based upon inter-regional differences in costs of providing health coverage.

This bill eliminates limits on the geographic regions used and on the premium variations between them in the individual and small employer health insurance markets. Premium variations between regions, if used, would still be required to be based on differences in costs. Requires that a region contain at least seven contiguous counties.

**Section**

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- 1**      **Premium rate restrictions.** This section deals with the individual health insurance market. Permits the number and locations of geographic pricing regions used to be selected by the insurer, except that a region must include at least seven contiguous counties. Eliminates limits on variations in premium index rates between regions.
- 2**      **Geographic premium variations.** Same as section 1, but for the small employer health insurance market.