

UNDERSTANDING INSURANCE RATE FACTORS AND INSURANCE PREMIUMS

The Affordable Care Act (**ACA**) requires insurance companies to use member-level factors to determine premiums for both individuals and small group employers.

WHAT IS A PREMIUM?

The amount that must be paid for your health plan. Individuals pay it for coverage, and many employers share the cost with their employees.

WHAT FACTORS DO NOT DETERMINE WHAT PEOPLE PAY?



GENDER

Insurers **can't charge women more than men** for the same policy.



CLAIMS EXPERIENCE

Insurers **can't increase premiums** based on the consumer's **past claims**.



HEALTH STATUS

Insurers **cannot charge more** for insurance based on a person's health status.

WHAT RATE FACTORS WILL DETERMINE WHAT PEOPLE PAY?

The following member-level factors for each family member are taken under consideration when setting premiums for both individuals and people who receive coverage from their employer.



TOBACCO USE

Insurers can charge **tobacco users up to 50% more** than those who **don't use tobacco**.



GEOGRAPHY

The state of Michigan has defined **16 rating regions** for use in both the individual and small group market. **Medical use and cost in each region** can impact premiums.



FAMILY SIZE

Consumers will **pay more** for their health plan if they **add dependents** to the coverage.



AGE

Regulatory criteria require that rates increase each year (**about 2%**) based on age.



CONSUMER INCOME

A consumer's **income may fluctuate**, creating an **increased or decreased subsidy** - having an overall impact on premium cost.



SECOND LOWEST SILVER PLAN

The second lowest silver plan impacts subsidy amounts **at the county level**. Subsidies are based on the second lowest silver plan's premium in the county.



INSURER BASE RATES

Insurance companies may increase or decrease rates **based on a number of actuarial factors**.