



ADMINISTRATIVE RULES OF MONTANA



6.6.5036 CALCULATION OF BENEFIT VALUES

- (1) For the purposes of determining whether a health benefit plan is a basic health benefit plan under ARM 6.6.5032, a benefit value method may be developed and used by the small employer carrier as contemplated in 33-22-1803 (6) , MCA. The carrier has the option to use the following computations, together with the values listed, to determine a benefit value for major medical health insurance plans. This calculation may not be used for HMO health benefit plans. The values in Table I in (1) (d) of this rule may not be used for any health benefit plans with only partial medical coverage, such as hospital-only expense plans or hospital and surgical expense plans. The calculation and its result are subject to review and approval by the commissioner.

- (a) An optional formula for calculating the benefit value is as follows:

BENEFIT VALUE = DEDUCTIBLE VALUE + COINSURANCE VALUE +
LIFETIME MAXIMUM VALUE

where

DEDUCTIBLE VALUE = DEDUCTIBLE CLAIMS COST x Y x
UTILIZATION (Y) / 0.8

and

COINSURANCE VALUE = COINSURANCE-STOPLOSS-PLUS-DEDUCTIBLE
CLAIMS COST x ([Z x UTILIZATION(Z)] -
[Y x UTILIZATION(Y)]) / 0.8.

(b) The variables for the formula are defined as follows:

- (i) COINSURANCE STOPLOSS refers to the maximum amount of annual claims to which the coinsurance is applied. For the standard plan, the COINSURANCE STOPLOSS is \$5,000.
- (ii) DEDUCTIBLE CLAIMS COST is the expected claims cost for a plan with a particular deductible.
- (iii) COINSURANCE-STOPLOSS-PLUS-DEDUCTIBLE CLAIMS COST is the expected claim cost for a plan with a "deductible" equal to the amount of the COINSURANCE STOPLOSS plus the DEDUCTIBLE.
- (iv) LIFETIME MAXIMUM VALUE is the dollar adjustment to the expected claims cost for a particular lifetime maximum amount.
- (v) UTILIZATION(Y) and UTILIZATION(Z) each refer to a factor to apply to the expected claims cost to adjust for expected utilization of a plan with a coinsurance level Y or Z.
- (vi) Y is the coinsurance percent applied to claims, up to the amount of the coinsurance stoploss annually.
- (vii) Z is the coinsurance percent applied to claims
above the coinsurance stoploss (usually 100%) .

(c) The following calculation of the benefit value

may be used:

- (i) Determine the deductible claims cost.

(Table I)

- (ii) Determine the value of Y, as a decimal.

(coinsurance percentage)

- (iii) Determine the value of utilization(Y) .

(Table II)

- (iv) Determine Y x utilization(Y) .

(line [ii] x line [iii])

- (v) Determine the deductible value.

(line [i] x line [iv] /0.8)

- (vi) Determine the coinsurance-stoploss-plus-deductible. (Coinsurance stoploss amount
+ deductible amount.)

- (vii) Determine the coinsurance-stoploss-plus-deductible claims cost. (Interpolate the claims costs in Table I corresponding to the deductibles immediately bounding the coinsurance-stoploss-plus deductible.) _____
- (viii) Determine the value of Z, as a decimal. (usually, but not always, 1.0) _____
- (ix) Determine the value of utilization(Z) . (Table II) _____
- (x) Determine Z x utilization(Z) . (line [viii] x line [ix]) _____
- (xi) Determine the coinsurance value. (line [vii] x (line [x] - line [iv])/0.8) _____
- (xii) Determine the lifetime-maximum value. (Table III) _____
- (xiii) Determine the benefit value. (line [v] + line [xi] + line [xii]) _____
- (d) The following tables, or other tables with actuarially sound values, may be used in calculating benefit values under this rule:

Table I - Claim Costs by Deductible Amount *

Deductible Amount	Claims Cost	Deductible Amount	Claims Cost	Deductible Amount	Claims Cost
\$ 0	\$124.83	\$ 750	\$ 89.29	\$ 10,000	\$ 24.92
100	119.43	1,000	79.77	15,000	20.56
150	116.82	1,500	68.70	20,000	17.38
200	114.23	2,000	60.42	25,000	15.11
250	111.65	2,500	53.69	50,000	9.36

300	109.08	5,000	35.21	100,000	5.38
500	98.81	7,500	30.07	150,000	2.87

Table II - Utilization Rate by Coinsurance *

Coinsurance	Utilization Rate	Coinsurance	Utilization Rate
100%	1.14	70%	0.93
95%	1.10	65%	0.91
90%	1.07	60%	0.89
85%	1.03	55%	0.87
80%	1.	50% or less	0.86
75%	0.97		

Table - III - Lifetime-Maximum Values by

Lifetime Maximum Amount

Lifetime Maximum Amount	Lifetime Maximum Value
\$5,000,000 or more	\$ 0.23
2,000,000	0.17
1,000,000	0.00
750,000	-0.28
500,000	-0.55
250,000	-1.78
100,000	-7.67
50,000	-13.34
25,000	-21.54

* Values were constructed by the Montana Insurance Department, using the 1994 Tillinghast Group Medical Insurance Rate Manual as a reference.

- (2) Filing of standard and basic health benefit plans for approval by the commissioner must include a description of the small employer carrier's benefit value method, an actuarial certification that the

formula's expected claims costs, utilization rates and values used are based on commonly accepted actuarial assumptions, and the calculation of the benefit values of the standard and basic plans being filed.

Authorizing statute(s): Sec. 33-1-313, 33-22-1812 and 33-22-1822, MCA

Implementing statute(s): Sec. 33-22-1802, 33-22-1809, 33-22-1811, and 33-22-1812, MCA

History: NEW, 1994 MAR p. 1528, Eff. 6/10/94; AMD, 1994 MAR p. 2926, Eff. 11/11/94; AMD, 1996 MAR p. 141, Eff. 10/13/95; AMD, 1998 MAR p. 2020, Eff. 6/26/98.