

GENDER RATING IN HEALTH INSURANCE

Colorado Health Care Task Force

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What is Gender Rating?

- ◆ The commercial practice of charging different, usually higher, premiums for female consumers in the **individual insurance market**.
- ◆ According to several sources, women sometimes are charged 10 percent to 25 percent to 50 percent more than men for insurance providing identical coverage, especially during the age bracket associated with child-bearing years.

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Percentage Able to Get Health Coverage at Work

Women

Men



48%



57%

Less than half of women can get health insurance through their work.

Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 2006
www.healthreform.gov 8/7/2009

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Premium Charges Comparison between Women and Men



A 22 year old woman can be charged **ONE AND A HALF** times the premium of a 22 year old man in the individual insurance market.

Agency for Healthcare Research and Quality, Medical Expenditure Survey, 2006
www.healthreform.gov 8/7/2009

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Segments of U.S. Health Insurance

- ◆ **26 million people (8.9%) in "individual market"** or direct purchase health insurance
 - ◆ **177 million people (59.3%) in employer based insurance**
 - ◆ **83 million (27.8%) covered by some form of government or "public" insurance**
- ◆ 2007 Census, reported Aug 2008.

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Employer Group Insurance already bans gender rating (Federal Court)

- ◆ In the employer-sponsored group insurance market gender rating has been effectively banned for over 30 years. The US Supreme Court cited a court holding in 1978 that :
"Title VII (of the Civil Rights Act of 1964) requires employers to treat their employees as *individuals*, not 'as simply components of a racial, religious, sexual, or national class.'"

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State Law Bans on Gender Rating:

- ◆ Gender Rating is prohibited in the individual market in **10 states**:

Maine (1993), Massachusetts (1996), Montana (1983), Minnesota (1992), New Hampshire, New Jersey (1992), New York (1993), North Dakota (1997), Oregon (1996) and Washington (1993).

- ◆ 2 have "rate bands" with 20% variation: Vermont and New Mexico.

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Bans In the Small Group Market

- ◆ **12** states, including Colorado, have banned gender rating:
CA, CO*, MI, MN, & MT.
In ME, MD, MA, NH, NY, OR & WA the ban is part of "community rating"
- ◆ **3** states have applied gender rate bands:
DE, NJ, VT.
- ◆ * Colo. Rev. Stat. §§ 10-16-105(8)(a), 10-16-102(10)(b) Prohibits small employer insurance carriers from setting premium rates based on characteristics other than age, geographic region, family size, smoking status, claims experience and health status.

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Example of Ban: Minnesota

- ◆ MN Section 62A.65, subdivision 4, is amended to read:

Subd. 4. **Gender rating prohibited.**

(a) No individual health plan offered, sold, issued, or renewed to a Minnesota resident may determine the premium rate or any other underwriting decision, including initial issuance, through a method that is in any way based upon the gender of any person covered or to be covered under the health plan. This subdivision prohibits the use of marital status or generalized differences in expected costs between principal insureds and their spouses.

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Opposition to Bans:

Examples from California

- ◆ “by requiring some lower risk individuals to pay higher premiums and cross subsidize the cost of higher risk individuals, the bill will make it more difficult to enroll this lower risk population.”
- The California Association of Health Plans (CAHP)
- ◆ “different people represent different risks, and in no line of insurance is everyone charged the same price. State Farm writes that a fundamental tenet of fairness in charging for insurance and making underwriting decisions is predicated on an assessment of the risk of a particular insured.”
- State Farm Insurance, CA

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Some states have a statutory requirement that higher rates be based on “sound actuarial principles”

◆ **Colo. Rev. Stat. Ann. § 10-3-1104(1)(f)(III)**

(defining “unfair discrimination” as
“Making or permitting to be made any classification solely on the basis of marital status or sex, unless such classification is for the purpose of insuring family units or is justified by actuarial statistics”)

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The New York Times

Health Insurers Agree to End Higher Premiums for Women

May 6, 2009 By ROBERT PEAR

WASHINGTON — Insurance companies offered Tuesday to end the practice of charging higher premiums to women than to men for the same coverage.

Karen M. Ignagni, president of America’s Health Insurance Plans, a trade group, made the offer in testifying before the Senate Finance Committee.

It was the latest concession by insurers as Congress drafts legislation to overhaul the \$2.5 trillion health care industry.

In interviews last fall, insurance executives said they had a sound reason for the different premiums: Women ages 19 to 55 tend to cost more than men of the same age because they typically use more health care, especially in the childbearing years. Moreover, insurers said women were more likely to visit doctors, to get regular checkups, to take prescription medications and to have certain chronic illnesses.

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