

The Milliman Small Group Medical Underwriting Guidelines™ (SGMUGs™) are evidence-based underwriting guidelines that enable underwriters to assign debit points to applicants in a small group. Debit points then translate to particular rating actions, such as an additional premium load or a discount being applied to the group rate for health status.

Relative to the rating process, the SGMUGs are a tool that allows a consistent “measuring stick” along which underwriters can assign debit points to place relativities for small groups. Each insurer can then make decisions about where along this continuum particular rating actions will occur. Then, based on those rating decisions, the assigned debit points that result from underwriting will translate into a specific premium level.

The SGMUGs are developed through the cooperative efforts of Milliman’s actuarial and clinical consultants and represent a combination of clinical and claim evidence, experience, and expert judgment. Milliman carefully reviews client input and considers this as part of the update process. The SGMUGs are fundamentally different than other commercially available underwriting guidelines because of their rigorous evidence basis. The ratings in the SGMUGs are not subjective, but instead are based on extensive claim data analysis and clinical input. Although reliance on actual claim experience is the core of the SGMUGs, Milliman also incorporates significant clinical information and research to further distinguish ratings within conditions and to identify the important information necessary during underwriting to more accurately allow underwriters to stratify risk. The SGMUGs have data analysis from a longitudinal database containing up to 10 years of claim data at their core.

How the SGMUGs are used

- From information provided on initial underwriting applications, identify conditions present and current prescription drug, height/ weight, and tobacco use status.

- Determine debit points for each individual in the group based on conditions and prescription information shared in their application. Debit points assigned represent the estimated average cost for the first 12 months of coverage for an individual with a given condition relative to those without the condition.
- The debit points can then be used to estimate the relative morbidity of the small group.
- This relative morbidity score can be used to arrive at a premium rating factor for the group.

Advantages of using the SGMUGs

- The SGMUGs contain ratings for over 1,400 medical conditions that indicate the relative cost of these conditions and differ based on specific factors relevant to each condition.
- The prescription drug index includes more than 4,000 different medications with points assigned based on dosage pattern, cost, and compliance information.
- Drug/condition conversion tables allow easy identification of what conditions are indicated for each prescription drug to provide an easy reference guide.
- Average debit point distributions show frequencies and relative costs to form the basis for related actuarial calculations.

The SGMUGs are designed for maximum ease of use and accuracy in rating. Rating is organized into four sections, described briefly below:

CONDITION RATINGS

The SGMUGs contain ratings for specific medical conditions with various debit point assignments depending upon several factors relevant to each condition.

BUILD CHARTS

The Build Charts contain rating recommendations based on the height and weight of the potential insured. The charts provide debit points for each individual based on height, weight, gender, and whether the applicant is an adult or child.

PRESCRIPTION DRUG INDEX

The Prescription Drug Index includes debit points for prescription drugs identified in an applicant's medical history. The index is presented in two ways: sorted by medical condition (with all drugs for each condition listed) and sorted by drug name (with all medical conditions associated with the drug listed). Prescription drug information and debits can also be found in the detailed rating for each medical condition.

TOBACCO USAGE

The SGMUGs include appropriate debit points for tobacco usage by age and gender.



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