

## Rate Review Works: Early Achievements of Health Insurance Rate Review Grants

### Introduction

The Affordable Care Act brings an unprecedented level of scrutiny and transparency to health insurance rate increases in the individual and small group markets. Thanks to the Affordable Care Act, in every State, proposed increases of ten percent or more will be evaluated by independent experts to assess whether they are based on reasonable cost assumptions and solid evidence. The review and scrutiny is expected to prevent unjustified premium hikes by insurance companies, cutting costs for individuals, families, and small business owners. And we have already seen examples of rate review holding down premiums for families and businesses. Additionally, consumers and employers will benefit from greater transparency as they will be able to access online easy-to-understand information about why insurers are seeking rate increases and how their premium dollars are spent.

### The Need for Review: Rate Hikes and Rising Profits

From 1999 to 2009, health insurance premiums for both employers and individuals skyrocketed while Americans' wages and cost of living grew at a much slower rate or stagnated. Costs for an average family with employer-sponsored insurance more than doubled, rising by over \$7,500 during that period.<sup>1</sup> The cost of an employer-based family coverage plan rose from 12 to 22 percent of family income over the decade.<sup>2</sup> Health insurance costs jumped as a percentage of private sector compensation from 5.4 to 7.3 percent from 1999 to 2009, eroding workers' take home wages. Small businesses were particularly hard hit.<sup>3</sup> The proportion of small employers offering health insurance dropped from 65 to 59 percent between 1999 and 2009.<sup>4</sup>

As families and small businesses struggle to afford health insurance, insurance companies continue to report ever higher profits. Earlier this year, health insurance companies reported some of the highest profits in years. Many insurers' stocks are trading at all-time, or near all-time, highs. And, many companies have accumulated large financial reserves that far exceed State regulatory requirements.

As many financial analysts have reported, one cause of these profits is that actual medical costs are growing at a slower rate than projected by insurance companies when they set their 2011 rates. As a result, payment of claims has been lower and margins have been higher. Recent data from the Bureau of Labor Statistics found that the first quarter health insurance employer cost index, a measure of health insurance prices, was 3.4 percent – the lowest it has been in the quarterly series in more than 10 years.

However, many of the rates consumers and employers pay today do not reflect these lower costs. Instead, insurers are reaping the benefits of lower costs while maintaining higher rates. According to

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<sup>1</sup> Kaiser Family Foundation / Health Research and Educational Trust. Employer Health Benefits: 1999; Employer Health Benefits, 2009. Menlo Park: Kaiser Family Foundation.

<sup>2</sup> U.S. Census Bureau, Historical Tables F-7: median family income in 1999 was \$48,831 in nominal dollars; it was \$60,088 in 2009; <http://www.census.gov/hhes/www/income/data/historical/families/f07AR.xls>

<sup>3</sup> For 1999, see U.S. Bureau of Labor Statistics, Employer Costs for Employee Compensation, 1986 to 2001, Table 3, <ftp://ftp.bls.gov/pub/special.requests/ocwc/ect/ecechist.pdf>; for 2009, see: [http://www.bls.gov/news.release/archives/ecec\\_03102010.pdf](http://www.bls.gov/news.release/archives/ecec_03102010.pdf)

<sup>4</sup> Kaiser Family Foundation / Health Research and Educational Trust. Employer Health Benefits: 1999; Employer Health Benefits, 2009. Menlo Park: Kaiser Family Foundation

Barclays Capital,<sup>5</sup> in reviewing results from the first quarter of 2011 for the top 14 health insurers and managed care companies:

- 13 of 14 companies have exceeded their Earnings Per Share (EPS) estimates.
- On average, companies are earning 45.7 percent higher profits than estimated.
- 10 of 14 companies have shown stronger profits than expectations.<sup>6</sup>

Before the Affordable Care Act was enacted, consumers and small businesses facing unreasonable premium increases lacked information about why their rates were increasing. In some States, insurance companies were under no obligation to disclose the justification for high premium hikes, leaving consumers in the dark.

The Affordable Care Act seeks to curb premium increases by requiring vigorous reviews that assure cost estimates use verifiable medical trend data and realistic administrative cost projections.

Starting September 1, 2011, insurers seeking rate increases of 10 percent or more for non-grandfathered plans in the individual and small group markets must publicly disclose the proposed increases and the justification for them. In future years, the threshold for review of increases will be set on a State-by-State basis using data that reflect insurance and health cost trends in each State. State or Federal independent experts will review these increases to determine whether they are unreasonable. States with Effective Rate Review Programs will conduct reviews of proposed rates at or above the applicable threshold, but if a State lacks the resources or authority to conduct the required rate reviews, HHS will conduct them. Rate reviewers must test the validity of all assumptions made in developing the proposed rate increase and consider an extensive list of factors to assure premiums are not being raised unjustly.

HHS encourages States to conduct rate review and has worked with States to strengthen their programs, including through Rate Review Grants. As of August 22, 2011, 44 States, the District of Columbia, and 1 U.S. territory have Effective Rate Review Programs in at least one insurance market, and 42 States, the District of Columbia, and the U.S. Virgin Islands have effective review for all insurance markets and issuers. As described below, resources and assistance from HHS are available to States and territories to help strengthen their review processes.

### **Helping Families and Small Businesses**

Rate review will help bring down costs for small businesses and families who often do not have the clout to demand that issuers justify their rate increases. Effective rate review means that small businesses and families will no longer have to take the word of their insurance company; they will have an independent expert reviewing their proposed rate increase.

Experience has shown that effective rate review helps to slow premium growth and it results in real savings:

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<sup>5</sup> Barclays Capital Equity Research. *U.S. HEALTH CARE- MANAGED CARE: Earnings Season Final Statistical Report*. Joshua R. Raskin, Joseph Kuhns, Jack Meehan. 9 May 2011

<sup>6</sup> IBID

- In July 2011, Oregon recently forced an insurer to lower its request for a rate hike by nearly 10 percent. This put money back in the pockets of approximately 60,000 consumers.
- In December 2010, Connecticut's Insurance Department rejected a proposed 20 percent rate hike by one of the State's major insurers.
- Last year, thanks to this new authority, North Carolina saved beneficiaries \$14.5 million by reducing a rate increase request from the State's largest insurance company.
- Over the past year, at the direction of the State Insurance Commissioner, Arkansas has been negotiating with insurance companies requesting rate increases greater than 10 percent on their individual health insurance products. The Commissioner recently negotiated a lower rate affecting approximately 90,000 policyholders.
- In March 2011, Rhode Island's Insurance Commissioner used his rate review authority to reduce a proposed increase by a major insurer in that State from 7.9 percent to 1.9 percent.
- In March 2011, nearly 30,000 North Dakotans saw a proposed increase of 23.7 percent cut to 14 percent following a public outcry.
- In 2011, Californians were saved from rate increases totaling as high as 87 percent when a California insurer withdrew its proposed increase after scrutiny by the State Insurance Commissioner.
- In Washington, in 2007, health insurance premiums for some individual health plans increased by up to 40 percent until the State imposed stiffer premium regulation in 2008.

### **New Resources to Help States Crack Down on Unreasonable Health Insurance Premium Hikes**

To help States strengthen and improve their rate review processes, the Affordable Care Act provides States with \$250 million in Health Insurance Rate Review Grants through Federal Fiscal Year 2014 to help States improve their review of proposed health insurance premium increases and hold insurance companies accountable for unjustified premium increases.

The grants have been made available in two cycles. Applications for Cycle I grants were made available on June 7, 2010 and awards to States were announced on August 12, 2010. Forty-two States and the District of Columbia were awarded \$43 million dollars to strengthen their processes for reviewing health insurance premium increases.<sup>7</sup>

A second round of funding worth approximately \$200 million was announced on February 24, 2011. On September 20, 2011 HHS awarded \$109 million to 28 States and the District of Columbia. These funds build on the work States have already undertaken with Cycle I funds and complement the health insurance rate review regulation finalized in May 2011. States have multiple opportunities to apply for Cycle II funds. HHS anticipates making additional awards in 2012.

#### **Cycle I Success Stories:**

These rate review grants are already having a significant impact. Over the last year, States have used early funding to significantly strengthen and improve their rate review processes:

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<sup>7</sup> Rate review grants were subsequently made available to territories in September, 2010 and were awarded in March, 2011. American Samoa, Puerto Rico, Northern Mariana Islands, the Virgin Islands and Guam received awards.

- 9 states passed legislation to further enhance their rate review;
- 29 states and the District of Columbia have hired new staff to review rates;
- 37 states and the District of Columbia have enhanced their IT capacity to review rates more efficiently; and
- 39 states and the District of Columbia have enhanced consumer protections.

Examples of some of these improvements include:

**Arkansas:** Over the past year, at the direction of the State Insurance Commissioner, Arkansas has been negotiating with insurance companies requesting rate increases greater than 10 percent on their individual health insurance products. The Commissioner recently negotiated a lower rate affecting approximately 90,000 policyholders. Arkansas also published two bulletins (6-2011 and 7-2011) to increase filing requirements for individual rate filings and to obtain prior approval authority in the small group market. Rate review grant funding helped Arkansas effectively review rates in all health insurance markets.

**Connecticut:** The Connecticut Insurance Department issued a bulletin subjecting all rate increases to filing requirements. The Department has used grant funds to increase consumer transparency efforts by posting all rate filings, final dispositions, and communication between the insurers and the Department on the Department website to solicit consumer comments. Consumers can also sign up for e-mail alerts when new rates are posted. And, in December 2010, Connecticut's Insurance Department rejected a proposed 20 percent rate hike by one of the State's major insurers.

**Indiana** As a result of grant funds, the Indiana Department of Insurance has launched a Rate Watch website, where all rate filings are available and searchable. The State used funds to provide actuarial support in order to review rates and create an actuarial filing guide.

**Nevada:** With Affordable Care Act rate review grant funding, Nevada has added actuarial support that has brought a new expertise to its rate review analyses. The substantial increase in Nevada's annual rate review budget, as well as the addition of a health actuary and the utilization of outside actuarial resources, has provided needed staffing and expertise to analyze rate filings. In the first quarter, from January 1, 2011 through March 31, 2011, seventeen of the thirty rate filings received were disapproved, including increases of 27.60% and 20%. The grant also inspired legislative initiatives to broaden Nevada's review authority to include small group health plans. Assembly Bill 74 was signed by Governor Sandoval on June 17, 2011 granting the Commissioner authority over rates for small group PPOs. With this bill, the Insurance Division now has authority over all health benefit plans for the individual and small group markets

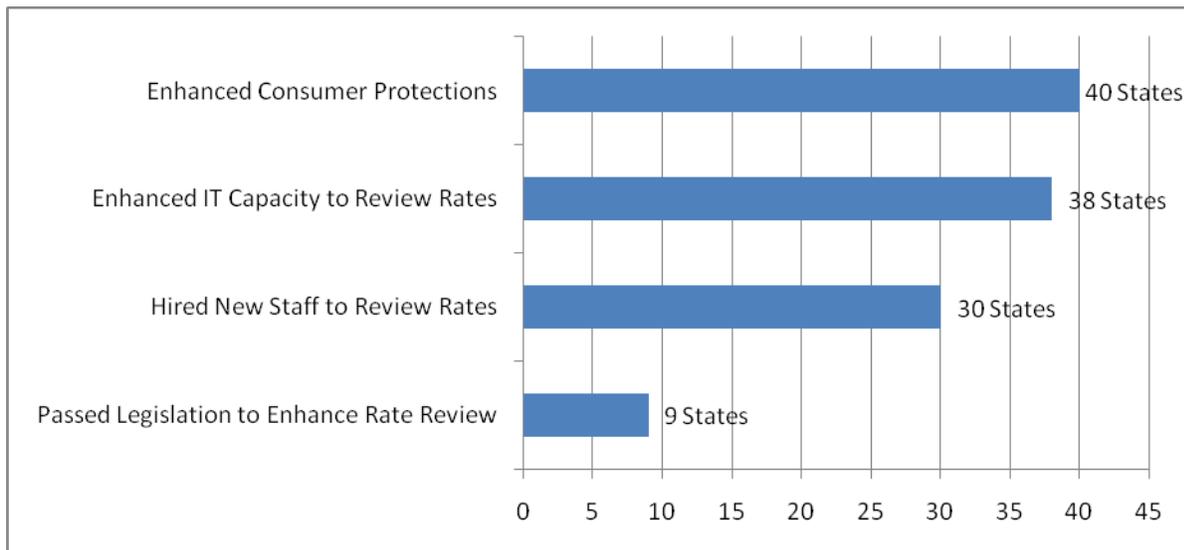
**North Carolina:** As a result of the Affordable Care Act grant funds, the North Carolina General Assembly expanded the Commissioner of Insurance's prior approval authority over health insurance rates in North Carolina to include all small group products, in addition to existing authority over all individual products. Last year, thanks to this new authority, North Carolina saved beneficiaries \$14.5 million by reducing a rate increase request from the State's largest insurance company. The Department also hired seven new rate review staff, including an actuary and an attorney. The actuary's primary duties focus on how best to adjust the Department's rate review process, especially given its new authority. The attorney's

activities include how best to restructure and standardize statutory authority across markets, products and types of insurers, and how to incorporate a hearing into the current rate review process.

**Oregon:** Oregon is using its rate review authority and the grant funds to create a more transparent rate review program, focused on educating consumers on the costs of medical care and how premium dollars are spent. Oregon recently demonstrated its strong rate review regulatory authority when a carrier sought a 22 percent increase in the individual market and Oregon only approved a 12.8 percent increase. It is estimated that approximately 60,000 people would have been impacted by the requested increase. Oregon held its first public hearing on a rate filing in nearly 20 years following the 22 percent proposed rate increase.

**Utah:** On March 30, 2011, Governor Herbert signed HB 128 into law, granting the Utah Insurance Department the responsibility for conducting an actuarial review of rates established for the health benefit plan market. With the assistance of grant resources, Utah is far exceeding its original goal to review at least 50 percent of individual and small group rate filings, by reviewing 100 percent of all submitted rate filings. Prior to the rate review grant, there were no analysts on staff to review rates. The Affordable Care Act grant has allowed Utah to increase its staffing in order to improve the rate filing review process.

**Table 1: Rate Review Grants, Cycle I: State Achievements**



For a complete listing of Cycle I State Achievements please see Appendix A.

**Building on Success: Cycle II Funds**

The Cycle II grants further assist States in improving and enhancing their health insurance rate review and reporting processes. States will use Cycle II funds to establish or enhance effective rate review programs that are transparent to the public and to those enrolled in the plan. The programs ensure the thorough evaluation of rate filings and, to the extent permitted by State law, the appropriate approval

or disapproval of proposed rates. Cycle II grants are designed to provide States with multiple opportunities to apply for funding, depending on their individual program needs. In addition to baseline grants, Cycle II funds make available “performance” funds to those States that have the authority to disapprove an unreasonable rate increase, and “workload” funds for larger States.

States are proposing to use Cycle II, Phase I grant funds in the following ways:

- 7 States are introducing legislation to improve their review of insurance rates. 9 States are implementing legislation passed during Cycle I of the Rate Review Grant Program.
- 19 States and the District of Columbia are proposing to expand the scope of rate review, for example, by reviewing rates in new markets or by reviewing rates for new products.
- 23 States and the District of Columbia are proposing to hire approximately 87 new positions from this funding, to add to the 50 new positions created from Cycle I grants.
- 27 States and the District of Columbia are proposing to use grant funds to enhance IT capacity through the development of new or improved rate reporting systems designed to collect more robust rate data and allow for advanced analysis of rate filings.
- All 28 States and the District of Columbia are proposing to use grant funding to bolster the information collected from insurers when a rate increase is filed, such as requiring insurers to provide additional information on administrative costs and requiring insurers to file rate increases in a standardized format.
- All 28 States and the District of Columbia are using these grants to improve the transparency of rate increase data and the ease with which consumers can find and understand this information, such as by developing a Rate Review Home Page at the Department of Insurance Website and providing opportunities for consumers to comment on proposed rate hikes via the website.

Examples of some of these proposals include:

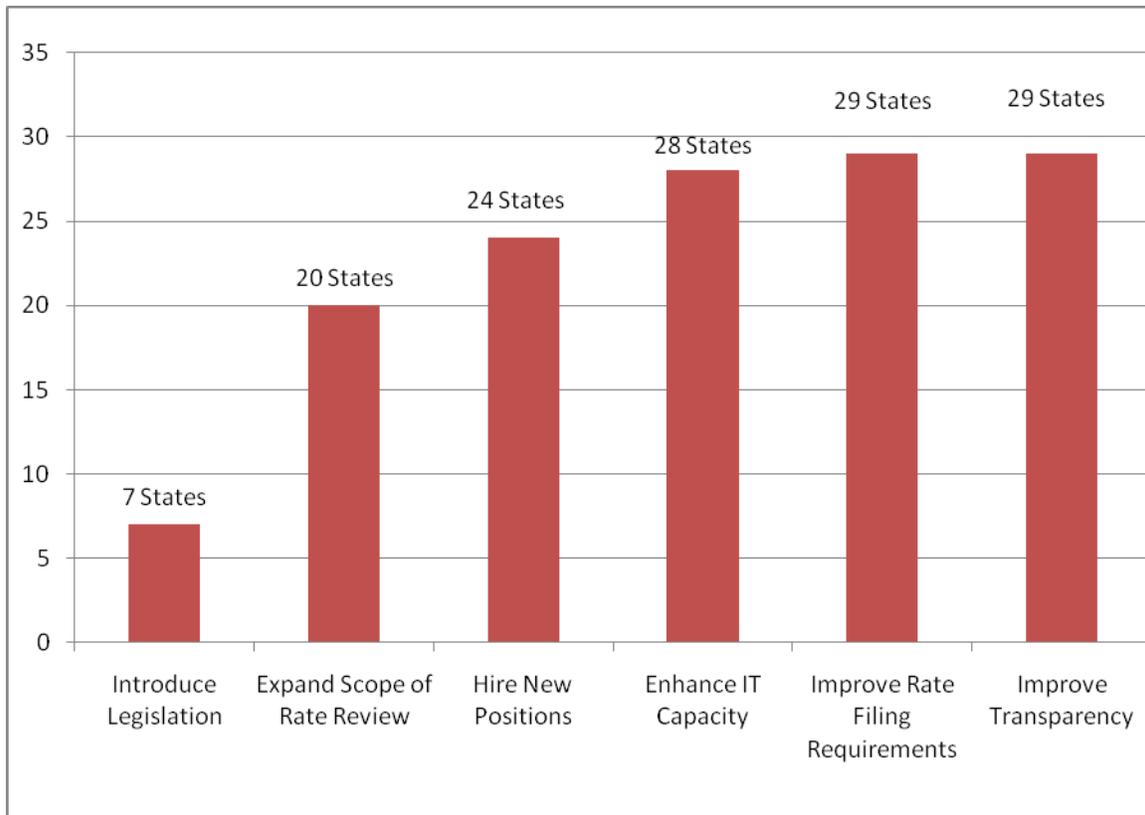
**Illinois** will use its Cycle II funding to develop a standardized template for reporting filings subject to review. Illinois has also proposed to enhance its website to include rate filings, "unreasonable" determination information, a consumer-friendly summary of the Department's filing decisions, and consumer comment capability.

**Mississippi** plans to issue a regulation, and then introduce legislation in the 2012 legislative session to improve its current requirements that require issuers to submit rates in the individual and small group markets for prior approval. Mississippi will also enhance its website to include more information about the rate review process, the option for consumers to be notified of pending rate increases and a consumer comment box. The State will also establish an Educational Outreach Program to host 40 public forum meetings around the State over the 3-year grant period to educate the public about Mississippi's rate review Program; the State will also create a "Health Insurance Toolkit" containing rate review information.

**New Mexico** will give its Consumer and Business Services Task Force the responsibility to review rates and identify potentially unreasonable increases, triggering further review by a contracted actuary firm. The State will also provide public web access to all health insurance rate filings, require a 30-day public comment period for filings and hold quarterly town hall meetings throughout the State.

**South Dakota** plans to improve its rate review process by collecting and displaying consumer friendly information on its web portal and collecting public comments on rate filings.

**Table 2: Rate Review Grants, Cycle II: Proposals**



For a complete listing of Cycle II State Proposals please see Appendix B.

**Builds on Other Affordable Care Act Policies to Make Health Care Affordable**

Rate review builds on other provisions in the Affordable Care Act to help make health insurance more affordable for individuals, families, and businesses. Other steps the law takes to help make insurance more affordable include:

- Insurers are generally required to meet a medical loss ratio standard to spend at least 80 percent of premium dollars on health care and quality-improvement activities as opposed to overhead, advertising, and executive bonuses. Insurers that fail to meet that standard must either reduce premiums or pay rebates to consumers and employers;
- Small businesses are eligible for Federal tax credits of up to 35 percent of the cost of coverage for their workers. That amount rises to 50 percent in 2014; and
- In 2014, the Affordable Insurance Exchanges will use competition and transparency, including information disclosure on excessive or unjustified premium increases, to help make insurance more affordable.

The Affordable Care Act includes a wide variety of provisions designed to promote accountability, affordability, quality and accessibility in the health care system for all Americans, and to make the health insurance market more consumer-friendly and transparent. Some of the provisions are already in effect, including prohibitions on pre-existing condition exclusions for children; prohibitions on lifetime dollar limits in all health plans; extended access to insurance for many young adults; and an unprecedented level of transparency about health insurance through [www.HealthCare.gov](http://www.HealthCare.gov).

## **Appendix A: Cycle I State Achievements**

### **Alabama**

The Alabama Department of Insurance developed a new standardized rate review process through collaboration with the State's largest domestic carrier to begin the review of certain rates filings in 2011. The Department also worked to streamline rate filing data review and plans to continue to host stakeholder meetings throughout the State.

<http://www.aldoi.gov/>

### **Arizona**

Since January, Arizona has held stakeholder meetings throughout the state to educate consumers about rate review and obtain feedback to improve transparency efforts. Using feedback received from consumers, the Department of Insurance continues to make its website more consumer-friendly, while also providing useful information on health care reform and the process of rate review. Additionally, the Department plans to merge the Department's internal database with the System for Electronic Rate and Form Filing to improve rate data collection and analysis.

[www.insurance.arkansas.gov](http://www.insurance.arkansas.gov)  
<http://insurance.arkansas.gov/hirrd/divpage.html>

### **Arkansas**

Over the past year, at the discretion of the Arkansas Insurance Commissioner, Arkansas has been negotiating with insurance companies requesting rate increases greater than 10 percent on their individual health insurance products. The Commissioner recently negotiated a lower rate affecting approximately 90,000 policyholders.

Additionally, Arkansas published two bulletins (6-2011 and 7-2011) to increase filing requirements for individual rate filings and to obtain prior approval authority in the small group market.

Rate review grant funding helped Arkansas meet the applicable criteria and designation as an 'Effective Rate Review Program' in all markets.

[www.insurance.arkansas.gov](http://www.insurance.arkansas.gov)  
<http://insurance.arkansas.gov/hirrd/divpage.html>

### **California**

California's Department of Managed Health Care previously had limited rate review authority. The State used rate review grant funds to develop a rate review process and to enhance current IT systems to begin posting rate information, including findings of an unreasonable rate increase, on the Department's public website.

The California Department of Insurance hired three additional actuaries to increase the depth and speed of the Department's actuarial review as well as to broaden the scope of review to include individual and small group rate filings. The Department website was enhanced to improve posting and public access to rate filings.

Since January 1, 2011, the Department of Insurance rate review process, as enhanced by the rate review grant funds, has resulted in some rate reductions and adjustments. It is estimated that reductions negotiated by the California Department of Insurance will save policyholders a total of at least \$40 million.

When a California insurer tried to raise premiums by as much as 87 percent, federal and State officials asked them to justify these increases. After additional scrutiny, in March 2011, the insurer withdrew its request, saving California families and businesses millions.

[www.insurance.ca.gov](http://www.insurance.ca.gov)

<http://www.insurance.ca.gov/0250-insurers/HlthRateFilings/index.cfm>

[http://www.hmohelp.ca.gov/dmhc\\_consumer/hp/hp\\_premratereview.aspx](http://www.hmohelp.ca.gov/dmhc_consumer/hp/hp_premratereview.aspx)

## **Colorado**

After receipt of the rate review grant award, the Colorado Division of Insurance was able to work quickly to hire staff to implement enhanced rate review to ensure rates filed are vigorously reviewed and analyzed.

Grant funds have allowed Colorado to enhance its current rate review IT infrastructure, including the display of a consumer-friendly rate summary and the ability for consumers to request an email notification when a rate increase is submitted.

[www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance)

<http://doraapps.state.co.us/Insurance/Consumer/pages/main.aspx>

## **Connecticut**

The Connecticut Insurance Department issued a bulletin subjecting all rate increases to filing requirements. The Department has used grant funds to increase consumer transparency efforts by posting all rate filings, final dispositions, and communication between the insurers and the Department on the Department website to solicit consumer comments. Consumers can also sign up for e-mail alerts when new rates are posted.

In December 2010, Connecticut's Insurance Department rejected a proposed 20 percent rate hike by one of the State's major insurers.

[www.ct.gov/cid/site/default.asp](http://www.ct.gov/cid/site/default.asp)

<http://www.catalog.state.ct.us/cid/portalApps/RateFilingDefault.aspx>

## **District of Columbia**

The District is using funding to standardize rate filing requirements and hire a Consumer Specialist to further enhance transparency efforts.

[www.disb.dc.gov](http://www.disb.dc.gov)

## **Delaware**

The Delaware Department of Insurance is using grant funds to further review additional information from carriers. For example, the Department is working on a program to review carriers' calculations as well as the web design for a financial reporting mechanism. The Department and the Commissioner are also planning a series of hearings throughout the State.

[www.delawareinsurance.gov](http://www.delawareinsurance.gov)

<http://www.delawareinsurance.gov/departments/rates/rates.shtml>

## **Hawaii**

Prior to receiving grant funds, Hawaii processed a mix of paper and electronic rate filings. Through the use of the System for Electronic Rate and Form Filing, the Insurance Division is preparing to collect all rate filings electronically. Two new full-time staff members, a rate and policy analyst and an actuary, will manage the increased volume of incoming rate filings.

[www.hawaii.gov/dcca/areas/ins](http://www.hawaii.gov/dcca/areas/ins)

## **Illinois**

In the past year, Illinois has utilized the rate review grant funding to establish an effective rate review program. Specifically, the State has developed a process to collect, analyze, and review rates for reasonability, established a web portal to receive rate information from insurers, added additional staff within the Department of Insurance to collect and analyze filings, contracted with a consulting firm to provide actuarial review services, and held meetings, conducted webinars, and developed web tools to engage consumers in efforts to improve premium review in Illinois.

In December 2010 as a result of receiving rate review grant funds, the Department issued a bulletin requiring all carriers to file a schedule of base rates and supporting actuarial documentation. Previously, most carriers did not have to file with the Department. The Department was able to establish its own portal to collect rate data from insurers. Each rate filing must now be submitted with a newly developed standardized form that requires insurers to provide information on premium increases, loss ratios, earned premiums, paid claims, and incurred claims.

[www.insurance.illinois.gov](http://www.insurance.illinois.gov)

## **Indiana**

As a result of grant funds, the Indiana Department of Insurance has launched a Rate Watch website, where all rate filings are available and searchable. The State used funds to provide actuarial support in order to review rates and create an actuarial filing guide.

<http://www.in.gov/IDOI/RateWatch/Default.aspx>

## **Kansas**

The Kansas Insurance Commissioner and the Department of Insurance held multiple public information meetings to educate consumers on health insurance rates. Through the use of actuarial software, the Department has improved and enhanced its current rate review process, begun collecting new data elements, and incorporated additional review activities into the rate review process.

[www.ksinsurance.org](http://www.ksinsurance.org)

## **Kentucky**

Through the use of rate review grant funds, the Kentucky Department of Insurance has hired six full-time employees and created a team dedicated solely to the review of health insurance rates. The Department also created a website for consumers to learn about the rate review process, including an e-mail box for consumer comments and FAQs about the Kentucky rate review process. The Department undertook additional data collection to support enhanced rate review.

[www.insurance.ky.gov](http://www.insurance.ky.gov)

[http://insurance.ky.gov/static\\_info.aspx?static\\_id=127&MenuID=112&Div\\_id=7](http://insurance.ky.gov/static_info.aspx?static_id=127&MenuID=112&Div_id=7)

## **Louisiana**

Using grant funds, the Louisiana Department of Insurance conducted a retrospective review of all major medical rate filings from Fiscal Year 2007 through Fiscal Year 2010 and is now working with consulting actuaries to develop an effective rate review process. The Department is also working with the State Information Technology Department to increase the efficiency of the current internal rate tracking system.

[www.lidi.state.la.us](http://www.lidi.state.la.us)

## **Maine**

The Maine Department of Insurance has used funds to further enhance rate filing requirements across additional lines of business. The Department has enhanced its consumer transparency efforts by producing consumer brochures and involving consumers in the rate hearing process.

[www.maine.gov/pfr/insurance](http://www.maine.gov/pfr/insurance)

<http://www.maine.gov/pfr/insurance/filings/filings.htm>

## **Massachusetts**

Since receiving grant funds, the Massachusetts Division of Insurance contracted with actuaries to complete studies enabling the State to develop regulations to act upon the Division's new authority for expanding the filing requirements for small group rates. The studies were used by the Division of Insurance as part of regulatory changes to the small group market which were promulgated on April 1, 2011. The regulation will additionally serve as the blueprint to develop a data collection tool that will facilitate collection of commonly reported information across all small group rate filers. Grant funds allowed the Division to accelerate its research to meet the changing legal environment for small group health insurance rate review.

<http://www.mass.gov/?pageID=ocaagencylanding&L=4&L0=Home&L1=Government&L2=Our+Agencies+and+Divisions&L3=Division+of+Insurance&sid=Eoca>

## **Maryland**

As a result of grant funds, of the 22 rate filings that Maryland's Insurance Administration approved during the third quarter of 2010 rate increase requests were reduced due to the Insurance Administration's review.

With funds from the rate review grant, the Maryland Insurance Administration engaged an actuarial firm to provide recommendations on how best to enhance the health insurance premium rate review process in Maryland and to provide information to consumers about the rate review process. Based upon recommendations, and having considered the public comments received, the Insurance Administration will make a number of changes to improve its rate review process such as enhancing the information provided to consumers about the rate review process and the key drivers of premium rate increases. It will also provide opportunities for public comment on proposed rate increases.

[www.mdinsurance.state.md.us](http://www.mdinsurance.state.md.us)

## **Michigan**

Michigan issued a bulletin requiring all issuers to submit rate filings with the Department. Additionally, the Department of Insurance has hired a consumer transparency consultant to improve its website.

<http://www.michigan.gov/lara/0,4601,7-154-10555---,00.html>

## **Mississippi**

The Mississippi Insurance Department used funds to expand its rate review staff and to issue a bulletin requiring all rates be submitted to the Department, which played a large role in the State's classification as an effective rate review State.

<http://www.mid.state.ms.us/>

## **Missouri**

Over the past year, the Missouri Department of Insurance has worked to develop a prototype transparency database and website which will be used to house rate filing information in an easy-to-understand format for consumers. Through the database, newly collected rate data will be accessible through a new “Rate Review Application.”

<http://insurance.mo.gov/>

## **Montana**

Montana’s Commissioner of Securities and Insurance held several public meetings to educate consumers on health insurance and the Affordable Care Act. The Montana Department of Insurance contracted with actuaries to analyze data and data trends and to provide further analysis on the local health insurance market. The Department issued an advisory memo requesting all health insurers within the State submit rate filing information.

<http://www.csi.mt.gov/>

## **Nebraska**

Nebraska is currently improving its existing rate review system based on proposed changes identified by a consultant actuary to ensure that all rate increases are actuarially justified and to enable negotiation of any rate that is excessive. The State has also created a web-based tool to increase the transparency of rate increases for consumers.

<http://www.doi.ne.gov/>  
[http://www.doi.ne.gov/healthcarereform/rate\\_review/index.htm](http://www.doi.ne.gov/healthcarereform/rate_review/index.htm)

## **Nevada**

With Affordable Care Act rate review grant funding, Nevada has added actuarial support that has brought a new expertise to its rate review analyses. The substantial increase in Nevada’s annual rate review budget, as well as the addition of a health actuary and the utilization of outside actuarial resources, has provided needed staffing and expertise to analyze rate filings. In the first quarter, from January 1, 2011 through March 31, 2011, seventeen of the thirty rate filings received were disapproved, including increases of 27.60% and 20%.

The grant also inspired legislative initiatives to broaden Nevada’s review authority to include small group health plans. Assembly Bill 74 was signed by Governor Sandoval on June 17, 2011 granting the Commissioner authority over rates for small group PPOs. With this bill, the Insurance Division now has authority over all health benefit plans for the individual and small group markets.

<http://www.doi.nv.gov/>  
<http://rates.doi.nv.gov/>

### **New Hampshire**

New Hampshire used grant funds to hire contractors to enhance its rate review process by analyzing the State's health systems, cost drivers, cost shifting, and the cost of health care services in New Hampshire. The State is also building an internal database to house rate filings.

<http://www.nh.gov/insurance/>

### **New Jersey**

New Jersey used rate review grant funding to improve its review of health insurance rate increases. Prior to receiving the grant funding, filing of comprehensive medical rates electronically in the individual, small group, and large group markets was optional and not widely observed. As a result of the grant funding, all rate filings are now received electronically, which has helped New Jersey maintain filing information. Additionally, in an effort to standardize filing submissions, for rates filed on or after July 1, 2012, carriers will be required to submit two worksheets and a checklist to ensure all documents are properly submitted and in the correct format. Finally, New Jersey has partnered with the Rutgers Center for State Health Policy to engage stakeholders in a series of forums to understand the impact of rate increases and the type of information wanted by consumers.

<http://www.state.nj.us/dobi/index.html>

### **New Mexico**

The New Mexico State Legislature passed SB 208 during the 2011 legislative session. This statute will create a more in-depth rate review process with greater consumer transparency. As a result of the passage of SB 208, rate increases are now required to be posted on the Insurance Division's website for a public notice and comment period, with recommendations made to the Superintendent of Insurance prior to rates taking effect.

<http://www.nmprc.state.nm.us/insurance/index.html>  
<http://nmhealthratereview.com/>

### **New York**

New York used the grant funds to enhance its rate filing requirements by standardizing and streamlining rate applications. The New York Department of Insurance used funds and a newly hired actuary and examiner to expand the information collected across all product types when reviewing rates. The Department also developed a webpage devoted to premium rates that contains general information about prior approval, FAQs, information regarding proposed rate increases, and consumers' comments on rate increases.

<http://www.ins.state.ny.us/>  
[http://www.ins.state.ny.us/health/prior\\_app/prior\\_app.htm](http://www.ins.state.ny.us/health/prior_app/prior_app.htm)  
<http://www.ins.state.ny.us/ihmoindx.htm>

## **North Dakota**

With a focus on increasing transparency for consumers, the North Dakota Insurance Department enhanced its internal systems to collect data from the System for Electronic Rate and Form Filing and improve reporting requirements. In addition, the Department plans to contract with a consultant to complete a multi-year historical study of health insurance company assumptions in rate requests.

<http://www.nd.gov/ndins/>  
<http://www.nd.gov/ndins/uploads/resources/583/bcbs-chart-web.pdf>

## **Ohio**

Ohio is using grant funds to develop an application to make insurer rate filing data available in-house. Additionally, the State has expanded its rate review staff and procured national pricing indices to provide for a deeper review of rates.

<http://www.insurance.ohio.gov/Pages/default.aspx>

## **Oregon**

Oregon is using its rate review authority and the grant funds to create a more transparent rate review program, focused on educating consumers on the costs of medical care and how premium dollars are spent.

Oregon recently demonstrated its strong rate review regulatory authority when a carrier sought a 22 percent increase in the individual market and Oregon only approved a 12.8 percent increase. It is estimated that approximately 60,000 people would have been impacted by the requested increase. Oregon held its first public hearing on a rate filing in nearly 20 years following the 22 percent proposed rate increase.

<http://www.cbs.state.or.us/external/ins/index.html>  
<http://www.oregonhealthrates.org/>

## **Pennsylvania**

The Pennsylvania Department of Insurance created a Rate Level Index Database to internally house and further analyze all rate filings. The Department used grant funds to create consumer comparison charts and post rate filings on its website.

[http://www.insurance.pa.gov/portal/server.pt/community/insurance\\_department/4679](http://www.insurance.pa.gov/portal/server.pt/community/insurance_department/4679)

## **Rhode Island**

Rhode Island is using grant funds to further analyze the effect of cost drivers and hospital utilization on rate increases. Additionally, the Department has developed an internal rate database to house and track filing information. Rhode Island used funds throughout the grant period to host open public meetings where presentations included findings related to cost driver analysis.

<http://www.dbr.state.ri.us/divisions/insurance/>  
<http://www.ohic.ri.gov/2011%20May%20RateFactorReview.php>

## **South Carolina**

Since receiving grant funds, the South Carolina Department of Insurance issued a bulletin requiring all rates be filed with the Department. The Department is enhancing its website to allow for increased consumer transparency.

<http://doi.sc.gov/Pages/default.aspx>  
<http://doi.sc.gov/Pages/healthcarereform.aspx#premiumreviewgrant>

## **South Dakota**

On March 28, 2011, Governor Daugaard signed SB 43 into law, requiring prior approval over all individual accident and health premium rates. The new law also requires small group rates to be submitted for review at least 30 days prior to implementation of an increase (effective July 1, 2011). The Division of Insurance has contracted with a qualified actuary to provide comprehensive rate review standards for use by the current staff in referring rates for actuarial review.

<http://dlr.sd.gov/reg/insurance/>  
<http://dlr.sd.gov/reg/insurance/consumer.htm>

## **Tennessee**

On May 30, 2011, Governor Haslam signed into law a bill expanding the Department of Insurance's scope of review and prior approval authority to individual and small group policies. The Department is currently working on regulations to accompany its new approval authority. As of July 1, 2011, all small group and individual health insurance rates must be filed in advance for approval by the Commissioner. Additionally, the Department is exploring ways to incorporate use of Tennessee's All Payer Claims Database to improve its rate review process.

<http://www.state.tn.us/commerce/insurance/>  
<http://www.tn.gov/commerce/insurance/consumerRes.shtml#>

## **Texas**

The Texas Department of Insurance is creating a process to ensure that submitted rate filings are checked and tested to ensure accuracy. Through a contract with consultant actuaries, the Department has been able to implement a new rate review process, and enhancements to its existing Information Technology infrastructure will provide greater efficiency in reporting capacity and greater precision in actuarial analysis.

<http://www.tdi.texas.gov/>

## **Utah**

On March 30, 2011, Governor Herbert signed HB 128 into law, granting the Utah Insurance Department the responsibility for conducting an actuarial review of rates established for the health benefit plan market. With the assistance of grant resources, Utah is far exceeding its original goal to review at least 50 percent of individual and small group rate filings, by reviewing 100 percent of all submitted rate filings. Prior to the rate review grant, there were no analysts on staff to review rates. The grant has allowed Utah to increase its staffing in order to improve the rate filing review process.

<http://www.insurance.utah.gov/>

## **Vermont**

Vermont has used funds to further standardize its filing requirements. In an effort to expand their analysis of rates, the Insurance Division is conducting an extensive review of claims data. The State's consumer website was also updated to include consumer-friendly rate summaries as well as a consumer comment capability.

<http://www.bishca.state.vt.us/>

<http://www.bishca.state.vt.us/health-care/consumer-information/health-insurance-rate-review>

## **Virginia**

Virginia is using grant funds to target rate reviews with specific companies, conduct an extensive premium trend analysis, and create templates to allow for standardized rate filing submission. Rate and form filings are also now available on the State's website.

<http://www.scc.virginia.gov/boi/cons/index.aspx>

## **Washington**

The 2011 legislative session resulted in the passage of HB 1220, which makes all rate filings public and requires carriers to make their rate information available for public inspection through the Office of the Insurance Commissioner's website. In addition, the Office of the Insurance Commissioner has launched a

consumer transparency website which contains standardized information on rates to help educate and inform consumers.

<http://www.insurance.wa.gov/>  
<https://fortress.wa.gov/oic/onlinefilingsearch/>

### **West Virginia**

The West Virginia Insurance Commission has used its grant funds to create a Rate Review Manual to preserve the State's review procedures. The Insurance Commission has also used these funds to train its staff on rate review best practices. The Commission's website now includes rate filings with consumer comment capability.

<http://www.wvinsurance.gov/>  
<http://www.wvinsurance.gov/HealthFilingAccess.aspx#>

### **Wisconsin**

Wisconsin's Office of the Commissioner of Insurance focused its grant efforts on standardizing its filing formats and enhancing its rate review procedures. To implement these changes, the Office developed a rate tracking system to allow the State to monitor, analyze, and publicize rate filing activity.

<http://oci.wi.gov/>  
<https://ociaccess.oci.wi.gov/Companyfilings/jsp/rfsearch.oci>

## Appendix B: Cycle II Proposals

### Arkansas

**Grantee:** Arkansas Insurance Department

**Total Award:** \$3,874,098

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$274,098

**Performance Award Amount:** \$600,000

- **Expand scope of rate review:** Arkansas will develop processes and procedures to fully implement Bulletins 6-2011 and 7-2011 which provide prior approval authority over the individual and small group markets. Arkansas will add rigor and structure to the current Arkansas Insurance Department rate review process and will track and analyze the Medical Loss Ratio filings to determine the impact of rebates on rates.
- **Improve rate filing requirements:** Arkansas will require issuers to publically justify increases. These justifications will be consumer friendly and displayed on the Arkansas Insurance Department website.
- **Improve transparency and consumer interfaces:** Arkansas will post on its website details regarding all individual and small group rate filings, including plain language summaries. The State will provide a notice and comment period to consumers for all rate filings. Arkansas will further bolster outreach to consumers through a media center for consumer education, a user-friendly rate review website and brochure for consumers, and a Consumer Advisory Council to improve transparency and communication.
- **Hire new staff:** Arkansas will create 3 new positions with Cycle II grant funding; these positions are in addition to the 3 new positions created with Cycle I resources.
- **Improve IT:** Arkansas is developing a new rate review website for consumers and is developing and upgrading existing technology to streamline data sharing in order for the State to meet reporting requirements.

### California

**Grantee:** California Department of Insurance

**Total Award:** \$2,162,121

**Baseline Award:** \$1,500,000

**Workload Award Amount:** \$622,121

- **Introduce legislation:** California will introduce legislation that would provide prior approval authority over all products and provide for public hearings on health insurance rates.
- **Expand scope of rate review:** The California Department of Insurance will use newly-hired staff to shorten the time it takes for reviewing rates, issuing final determinations, and posting and reporting

the determinations. This step will provide additional negotiating time to achieve rate reductions where appropriate.

- **Improve rate filing requirements:** Guidance, issued in May as a result of the passage of SB 1163, signed by Governor Jerry Brown, sets forth an improved actuarial evaluation process for rate filings that the California Department of Insurance now uses.
- **Improve transparency and consumer interfaces:** The California Department of Insurance will provide \$75,000 per year in grants to consumer advocacy organizations to also look at rate filings and submit comments to the Department to help improve public input in the rate evaluation process.
- **Hire new staff:** The California Department of Insurance will create 2 new positions with Cycle II grant funding; these positions are in addition to the 3 new positions created with Cycle I resources.

**Grantee:** California Department of Managed Health Care

**Total Award:** \$2,162,121

**Baseline Award:** \$1,500,000

**Workload Award Amount:** \$662,121

- **Expand scope of rate review:** Increased data collection will allow for a more in-depth analysis and reporting on collected rate data.
- **Improve rate filing requirements:** Guidance, issued in May as a result of the passage of SB 1163, signed by Governor Arnold Schwarzenegger, sets forth an improved actuarial evaluation process for rate filings that the Department of Managed Health Care will now use.
- **Improve transparency and consumer interfaces:** The Department of Managed Health Care will work with a consumer advocacy group to gain meaningful input from consumers and stakeholders on rate filings. The Department will post comments gathered by the consumer advocacy group on its website for consumer use.
- **Hire new staff:** The Department of Managed Health Care will create 2 new positions with Cycle II Grant funding.
- **Improve IT:** The Department of Managed Health Care will continue to build on existing program infrastructure using additional resources to collect, analyze, and report to HHS-critical information about rate review decisions and trends.

## Colorado

**Grantee:** Colorado Division of Insurance

**Total Award:** \$4,031,188

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$431,188

**Performance Award Amount:** \$600,000

- **Expand scope of rate review:** Colorado is using new automated data tools to speed up the rate review processes and make the review process more efficient while also taking a more in-depth approach to the analysis and review of rates.
- **Improve rate filing requirements:** The Colorado Division of Insurance has amended Colorado Regulation 4-2-31 to require additional information be reported in the Health Cost Report which is used in the review of rate filings.
- **Improve transparency and consumer interfaces:** Colorado will expand education and outreach efforts through a combination of training, media, and outreach to consumers. Colorado intends to use these funds to plan an outreach campaign, make upgrades to consumer website resources and create publications for distribution on the rate review process.
- **Hire new staff:** Colorado will create 2 new positions with the Cycle II grant funds; this funding is in addition to the 6 new positions created with Cycle I resources.
- **Improve IT:** Colorado plans to build on State and federal plan design comparison efforts to introduce a streamlined data tool to collect uniform information on plan design. The State will develop online dashboards to enable managers to receive real-time information about the status of filings and allow for adjustment of resources to meet and exceed statutory deadlines and improve timeliness.

#### **District of Columbia**

**Grantee:** District of Columbia, Department of Insurance, Securities and Banking

**Total Award:** \$3,803,324

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$203,324

**Performance Award Amount:** \$600,000

- **Introduce legislation:** The District will engage legal and technical experts to identify potential gaps in its authority and recommend legislative enhancements, as needed.
- **Expand scope of rate review:** After review of existing authority, the District, if needed, will seek to expand the scope of its rate review process through legislation.
- **Improve rate filing requirements:** The District will consult with legal and technical experts to develop a standardized rate filing template. The District will also engage consultants to develop improved methods for financial analysis. New staff will analyze the potential impact of Exchanges on submitted rates and rate filings. A Financial Analyst will review historical rates and provide additional information to consider when reviewing rates.
- **Improve transparency and consumer interfaces:** A web consultant will develop a website devoted to consumer information regarding rate review that will link to the District Department of Insurance Securities and Banking website and the District's health reform website. The District will also engage academic consultants to develop consumer brochures. A Consumer Specialist will work to enhance the Department of Insurance Securities and Banking's website with information on rate

filings and will conduct outreach to DC residents regarding rates. The District is also planning to contribute for enhancements to the System for Electronic Rate and Form Filing.

- **Hire new staff:** The District will create 5 new positions with Cycle II funding; these positions are in addition to the 2 positions created with Cycle I resources. The District will also establish a paid internship program.
- **Improve IT:** The District will purchase software to examine rating methodologies and expose trends. A consumer Specialist will continue to work with the Office of Information Technology on website updates.

## Hawaii

**Grantee:** Hawaii Department of Commerce and Consumer Affairs

**Total Award:** \$3,000,000

**Baseline Award:** \$3,000,000

- **Improve rate filing requirements:** Hawaii will provide consumers with access to Parts I and II of the preliminary justifications required by the federal rate review regulation. Part I provides consumers with a standardized web-based consumer disclosure form that helps them understand the reasons for proposed rate increases. Part II provides consumers with a brief, non-technical consumer oriented written explanation of the rate increase, intended to provide context for the quantitative information provided in Part I.
- **Improve transparency and consumer interfaces:** Hawaii will also enhance its Insurance Division's website to improve transparency with respect to the rate process, including making a history of rate actions by the Division and access to Parts I and II of the preliminary justifications required by the rate review regulation available to consumers. The Insurance Division will also receive public comments through letters or email.
- **Hire new staff:** Hawaii will create 4 new positions with Cycle II resources.
- **Improve IT:** Hawaii will enhance its Insurance Division's website to improve transparency with respect to the rate process, including making a history of rate actions by the Division and access to Parts I and II of the preliminary justifications required by the rate review regulation available to consumers. The Insurance Division will also receive public comments through letters or email. Hawaii is also considering a number of other related IT initiatives to enhance the collection and analysis of rate filing and other relevant health care data, such as claims data.

## Illinois

**Grantee:** Illinois Department of Insurance

**Total Award:** \$3,531,085

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$531,085

- **Expand scope of rate review:** Illinois is collecting rates in the individual and small group markets via a Bulletin issued during Cycle I of the rate review grant program.
- **Improve rate filing requirements:** Illinois will utilize a rate submission checklist to promote consistency among insurer rate filings. Illinois also proposes developing a standardized template for reporting filings that are subject to review” as outlined in the Final Rule. Illinois will analyze incoming rate data to identify market trends and generate reports for consumer outreach and financial and actuarial analysis.
- **Improve transparency and consumer interfaces:** Illinois has proposed a new hire (data analyst) to draft an "annual report" to inform consumers about market changes. Illinois also proposes enhancing its website to include rate filings, "unreasonable" determination information, a consumer-friendly summary of the Department's filing decisions, and consumer comment capability. Illinois will also conduct webinars on its enhanced rate review program.
- **Hire new staff:** Illinois plans to create 5 new positions with the Cycle II awards, these positions are in addition to the 5 positions created with Cycle I resources.
- **Improve IT:** Illinois will enhance its rate review web portal by expanding the ability to collect additional information, creating the functionality to update its web tool when rate increases are submitted, creating a web tool for consumers on group rates (currently only individual rates are available), and establishing a tool to conduct automated analyses of rate data to identify trends.

## Indiana

**Grantee:** Indiana Department of Insurance

**Total Award:** \$3,890,752

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$290,752

**Performance Award Amount:** \$600,000

- **Improve rate filing requirements:** An expanded actuarial team will review health insurance products, and create an actuarial database to enhance rate review.
- **Improve transparency and consumer interfaces:** Indiana will continue to make filings available to the public with comment capability via Rate Watch.
- **Hire new staff:** Indiana will propose an actuarial internship program that will include paid and unpaid interns.
- **Improve IT:** Indiana will develop a system for actuary collaboration, consisting of a historical actuarial database that actuaries can access and generate rate review summaries used later in the review process by other team members. This database will reduce actuarial workload, turnaround time on a review, and improve review uniformity and quality.

## Kentucky

**Grantee:** Kentucky Department of Insurance

**Total Award:** \$3,225,170

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$225,170

- **Introduce legislation:** Kentucky will amend 806 KAR 17:150 ,and any related statute, to increase the scope of data collected in the large group market and additional data, such as claims data, in other markets.
- **Expand scope of rate review:** Kentucky will amend State regulations to collect more information from large group insurers and will make filing requirements applicable to non-major medical benefit plans such as student health plans.
- **Improve rate filing requirements:** Kentucky will implement regulatory changes to require insurers to justify how they select and modify claims data, and allow the Department of Insurance to request additional data used to make trend predictions. Kentucky is also considering requiring insurers to report and justify administrative expenses in a more detailed manner.
- **Improve transparency and consumer interfaces:** Kentucky proposes to establish on its website a mechanism to allow consumers to request an email whenever a filing is received by the Department. The State will also enhance its website further to allow consumers access to rate filings without going through the open records process. The State continues to assess how to best educate the public on the rate review process.
- **Hire new staff:** Kentucky will create 1 new position with Cycle II grant funding; this position is in addition to the 6 positions created with Cycle I resources.
- **Improve IT:** Kentucky will enhance its IT systems to automate analysis of rate increases, and will enhance its internal database to house all rate filings electronically, including consumer comments.

## **Maryland**

**Grantee:** Maryland Insurance Administration

**Total Award:** \$3,961,072

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$361,072

**Performance Award Amount:** \$600,000

- **Introduce legislation:** The Maryland Insurance Administration will propose a statutory change to gain authority to disclose a carrier's proposed rate for a new or current policy and the worksheet for the filing and final rate approved by Maryland Insurance Administration.
- **Expand scope of rate review:** Maryland will work with the Maryland Health Care Commission and Maryland Health Services Cost Review Commission to determine how shared data can or will be useful in the State's rate review process.

- **Improve rate filing requirements:** Following the Maryland Insurance Administration plan from Cycle I, Maryland plans to require insurers to submit Part I of the Preliminary Justification Worksheet, and will report premium changes over time by market and insurer to the Exchange. Maryland will also identify how to incorporate average actuarial risk in rate review.
- **Improve transparency and consumer interfaces:** Maryland will continue its efforts from its Cycle I grant to publicly disclose information about rate filings (requiring a statutory change). Maryland will additionally provide information about the rate filing process on its website and through public comment.
- **Hire new staff:** Maryland will create 3 new positions from this funding, to add to the 4 positions created under Cycle I.
- **Improve IT:** Maryland plans to enhance its website to allow for public comment and the disclosure of filing information.

#### Massachusetts

**Grantee:** Massachusetts Department of Insurance

**Total Award:** \$3,385,165

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$385,165

- **Expand scope of rate review:** Massachusetts will continue enforcing Chapter 288 of the Acts of 2010 (authorizing presumptive disapproval; if a filing is disapproved it is subject to a rate hearing). Massachusetts's legal support will work on new regulatory tools and participate in hearings. The Department of Insurance will also commission actuarial studies of market conditions and structures to evaluate cost drivers.
- **Improve rate filing requirements:** Contracted actuaries will develop new tools that require companies to separate claims trends and administrative costs into standardized buckets to track spending. Massachusetts will also evaluate the impact of new products on the availability and cost of health coverage.
- **Improve transparency and consumer interfaces:** Massachusetts proposes consultant work to improve consumer information about options for health insurance. The Commonwealth will also enhance its website to provide more consumer friendly information on rate filings and the rate review process.
- **Hire new staff:** Massachusetts will create 5 to 8 new positions from with the Cycle II grant funding.
- **Improve IT:** Massachusetts will enhance and standardize methods to collect rate review information so the data can be aggregated and reviewed by actuarial staff.

#### Michigan

**Grantee:** Michigan Office of Financial Insurance Regulation

**Total Award:** \$3,994,728

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$394,728

**Performance Award Amount:** \$600,000

- **Expand scope of rate review:** A recent bulletin issued by Michigan requires all markets to submit rate increases for review (previously only HMOs, Blue Cross Blue Shield, and individual commercial carriers were required to submit rates). New and existing staff will review filings from commercial carriers beginning 9/1/11, and the State will educate and train the commercial market on how to submit rate filings to the State.
- **Improve rate filing requirements:** Michigan is hiring analysts to support new reviews in the commercial market.
- **Improve transparency and consumer interfaces:** Michigan plans to evaluate other States' transparency models to determine which model will work best in Michigan, what information regarding rate increases should be public, and the best method for publicizing rate increases.
- **Hire new staff:** Michigan will create 6 new positions with the Cycle II grant funding.
- **Improve IT:** Michigan will use technology enhancements to increase the efficiency of filing financial and other data, to provide transparency to the public, and to provide support as needed to the industry. Michigan also will use technology to assist with the compilation of data for market trend analysis and reporting requirements under the Affordable Care Act.

## **Minnesota**

**Grantee:** Minnesota Department of Commerce

**Total Award:** \$3,900,899

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$300,899

**Performance Award Amount:** \$600,000

- **Introduce legislation:** Minnesota will review current statutes and best practices in other effective rate review States to propose legislative changes as needed.
- **Improve rate filing requirements:** Minnesota, with the assistance of the Minnesota Health Economics Program and the Minnesota Department of Health, will study the history of rates, benefit patterns, actuarial values and expenses. Minnesota will also develop a Rate Review Procedures Manual and consultants will randomly audit filings to identify areas for improvement.
- **Improve transparency and consumer interfaces:** Minnesota will conduct interviews and focus groups with consumers to understand information gaps and will develop a web-based tool for consumers to understand rate filings. Minnesota plans to conduct a study on the value of making rate filings public. In addition, the State's enhanced IT system will generate a public report of each filing.
- **Hire new staff:** Minnesota will create 3 new positions from the Cycle II grant funding.

- **Improve IT:** Minnesota will develop systems to produce reports that analyze filings for consumers, and a database to house information collected from rate filings beginning in 2003, as well as a reporting module to provide information to HHS.

### Mississippi

**Grantee:** Mississippi Department of Insurance

**Total Award:** \$3,783,208

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$183,208

**Performance Award Amount:** \$600,000

- **Introduce legislation:** Mississippi plans to issue a regulation and then introduce legislation in the 2012 legislative session to improve its current requirements found in Bulletin 2011-7, which requires issuers to submit rates in the individual and small group markets for prior approval. Mississippi is also considering the feasibility of requiring companies to provide a plain language explanation or justification for rate increases; this explanation would also be posted on the website.
- **Improve rate filing requirements:** Mississippi will enhance requirements by issuing a regulation to solidify Bulletin 2011-7 and will follow with legislation to further solidify the new requirements. Consultants will assess the current rate review process and propose enhancements or alternatives.
- **Improve transparency and consumer interfaces:** Mississippi will enhance its website to include more information about the rate review process, the option for consumers to be notified of pending rate increases and a consumer comment box. Mississippi will also establish an Educational Outreach Program to host 40 public forum meetings around the State over the 3 year grant period to educate the public about Mississippi's rate review program; the State will also create a "Health Insurance Toolkit" containing rate review information.
- **Hire new staff:** Mississippi will create 2 new positions with the Cycle II grant funding.
- **Improve IT:** Mississippi will expand its current research to include robust data analysis and data exchange capabilities. Mississippi will use its grant to assess the Insurance Department's capabilities and propose enhancements for its new rate review website.

### Nevada

**Grantee:** Nevada Division of Insurance

**Total Award:** \$3,959,972

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$359,972

**Performance Award Amount:** \$600,000

- **Expand scope of rate review:** Nevada no longer exempts Group PPOs from filing requirements and Nevada will develop a plan to implement the necessary changes in policy and procedure to add small group rate filings to the rate review process.

- **Improve rate filing requirements:** Nevada implemented a "zero tolerance" policy as of July 1, 2011, requiring insurers to either resubmit an incorrect filing or correct minor errors through post-submission updates.
- **Improve transparency and consumer interfaces:** Nevada plans to host consumer outreach meetings across the State in late 2011. Nevada will post weekly updates of rate filings under consideration and review on its website within 5 days of receipt, and links to posted rate filings will remain valid for 3 years. Nevada will also post rate filings from 8/01/10 forward and public comments addressing proposed changes on its new website.
- **Hire new staff:** Nevada will create 3 new positions with this Cycle II grant funding.
- **Improve IT:** Nevada recently launched a website dedicated to the Divisions' rate review activities. The new site will serve as a primary consumer access point for health benefit plan rate filing information and posting of the Division's analysis summary upon disposition.

### **New Hampshire**

**Grantee:** New Hampshire Insurance Department

**Total Award:** \$3,564,938

**Baseline Award:** \$3,000,000

**Performance Award Amount:** \$564,938

- **Expand scope of rate review:** New Hampshire will study market shifts and will respond in regulation as necessary.
- **Improve rate filing requirements:** New Hampshire will require carriers to submit additional information including reporting and administrative expenses. New Hampshire will also propose to expand claims information collection so that data can be used in the rate review process.
- **Improve transparency and consumer interfaces:** Recent State law requires an annual public hearing to discuss rates and factors, and also permits the Commissioner to require carriers to produce information for the hearings. New Hampshire will set up a website for access to rate filings and summaries with comment capability and overview of the general rate review process. New Hampshire also plans on holding stakeholder meetings and producing informational materials on the rate review process.
- **Hire new staff:** New Hampshire will create 2 new positions from the Cycle II grant funding.
- **Improve IT:** New Hampshire will also develop data systems to compare different data sets and will create a model to predict the migration of insured individuals between different markets and plans. The Insurance Department will work with other partners to evaluate current systems and increase data exchange capabilities.

### **New Jersey**

**Grantee:** New Jersey Banking and Insurance

**Total Award:** \$4,146,261

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$546,261

**Performance Award Amount:** \$600,000

- **Introduce legislation:** New Jersey will work with partners to review rate filing statutes and regulations and introduce legislation if necessary
- **Improve rate filing requirements:** New Jersey will work with an actuarial consultant to develop analytical tools and benchmarking tool, advise on the expansion of claims data requirement, make recommendations for standardization, and make recommendations on peer review of rate filings. Another actuarial consultant will make recommendations on standardizing filings for dental plans.
- **Improve transparency and consumer interfaces:** New Jersey will conduct three annual rate forums and will prepare a report on the effectiveness of its rate review process, training, and outreach efforts to stakeholders.
- **Hire new staff:** New Jersey plans to create 5 new positions from the Cycle II grant funding.
- **Improve IT:** New Jersey will fund the System for Electronic Rate and Form Filing (SERFF) enhancements and other insurer reporting IT systems for enhanced claims reporting.

#### **New Mexico**

**Grantee:** New Mexico Public Regulation Commission Insurance Division

**Total Award:** \$3,000,000

**Baseline Award:** \$3,000,000

- **Expand scope of rate review:** New Mexico will give its Consumer and Business Services Task Force the responsibility of reviewing rates and identifying potentially unreasonable increases, triggering further review by a contracted actuary firm.
- **Improve rate filing requirements:** New Mexico will use SB 208 to require insurers to provide additional information with submitted rate filings. New Mexico will also require insurers to make reimbursement for direct services at a level not less than 85% of premiums.
- **Improve transparency and consumer interfaces:** New Mexico will implement the requirements of SB 208, requiring the Superintendent to provide public web access to all health insurance rate filings and a 30 day public comment period for filings. New Mexico will also hold quarterly town hall meetings throughout the State.
- **Hire new staff:** New Mexico will create 2 new positions with the Cycle II grant funding; these positions are in addition to the 4 positions created with Cycle I resources.
- **Improve IT:** New Mexico will use IT Professional Contract Developers to enhance the web application and database data transfer interfaces.

## **New York**

**Grantee:** New York State Insurance Department

**Total Award:** \$4,469,996

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$869,996

**Performance Award Amount:** \$600,000

- **Expand scope of rate review:** New York proposes to expand data used in reviewing rate applications to analyze information submitted by insurers and help compare data across lines of business and across insurers.
- **Improve rate filing requirements:** New York will revise rate applications to include information regarding rates for Qualified Health Plans offered through the Exchange. A contractor will also audit rate applications to ensure rates are based on accurate financial and actuarial data.
- **Improve transparency and consumer interfaces:** New York proposes improvements to its consumer webpage.
- **Hire new staff:** New York will create 2 new positions with the Cycle II grant funding; these positions are in addition to the 1 new position supported with Cycle I funds.
- **Improve IT:** New York proposes improving its web portal to allow insurers to submit loss ratio reports and will work with an IT consultant to build databases to capture a wide variety of relevant data to be reviewed with analyzing rate filings.

## **North Carolina**

**Grantee:** North Carolina Department of Insurance

**Total Award:** \$3,984,080

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$384,080

**Performance Award Amount:** \$600,000

- **Introduce legislation:** North Carolina will propose legislation to require rate filing information submitted by insurers to be considered public. North Carolina will also propose statutory and regulatory changes to create rate filing consistency and may revise statutes to meet the statutory requirements of 2014.
- **Expand scope of rate review:** The North Carolina Department of Insurance was recently granted prior approval authority of small group rates. Cycle II grant funds will help support this expanded authority.
- **Improve rate filing requirements:** North Carolina plans to make statutory and regulatory changes to create consistency across rate filings by market and product types. North Carolina will work with an actuarial firm to develop a rate review process manual.

- **Improve transparency and consumer interfaces:** North Carolina is currently pursuing legislative action to make rate filings public. The Department of Insurance will also develop a plan for considering consumer comments in its review of rate filings and providing consumer summaries of filings. The State will hire a Health Insurance Outreach Specialist to design, develop, implement and monitor a program to educate consumers on the rate review process. North Carolina is also evaluating the role of hearings in the rate review process.
- **Hire new staff:** North Carolina will create 3 new positions with Cycle II grant funding; these positions are in addition to the 6 positions created with Cycle I resources.
- **Improve IT:** North Carolina plans to evaluate various actuarial tools to enhance the rate review process, possibly including tools or software for performing trend analyses and assisting in assumptions validation when reviewing a rate filing

## Ohio

**Grantee:** Ohio Department of Insurance

**Total Award:** \$4,091,507

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$491,507

**Performance Award Amount:** \$600,000

- **Improve rate filing requirements:** Ohio plans to hire additional staff to review filings in a more comprehensive manner, with all forms and rates in a single filing. Analysts will also conduct market conduct reviews to make certain rates are calculated according to the filing rules.
- **Improve transparency and consumer interfaces:** Ohio will upgrade its internal IT system to develop a consumer-friendly web application to assist Ohio residents in using product and pricing information.
- **Hire new staff:** Ohio will create 3 new positions with Cycle II grant funding; these positions are in addition to the 5 positions created with Cycle I funds.
- **Improve IT:** Ohio intends to create a rate and policy database to conform rate review with reporting requirements to help synchronize internal data with that published to the public on the Federal web portal.

## Oregon

**Grantee:** Oregon Department of Consumer and Business Services

**Total Award:** \$4,040,777

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$440,777

**Performance Award Amount:** \$600,000

- **Improve rate filing requirements:** Oregon is in the process of adopting the use of the federal disclosure form (Consumer Disclosure about Proposed Health Insurance Rate Increases) to use with all individual and small group rate filings.

- **Improve transparency and consumer interfaces:** Oregon plans to start hosting additional hearings for individual and small group rate requests. Oregon will also create and publish a rate review booklet or consumer guide to provide consumers with a plain language explanation of the filing process and a guide to understanding rate filings.
- **Hire new staff:** Oregon will create 4 new positions with Cycle II grant funding; these positions are in addition to the 4 positions created with Cycle I resources.
- **Improve IT:** Oregon is working to develop an improved data process that will effectively organize rate information and allow for the posting of rate schedules used to compare rates between insurers on the Department of Insurance website.

### Pennsylvania

**Grantee:** Pennsylvania Insurance Department

**Total Award:** \$4,312,084

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$712,084

**Performance Award Amount:** \$600,000

- **Introduce legislation:** Pennsylvania plans to acquire authority over commercial small group rates through legislation.
- **Expand scope of rate review:** Pennsylvania plans to acquire authority over commercial small group rates by modifying Act 159.
- **Improve rate filing requirements:** Pennsylvania proposes building the framework for an enhanced rate review process by contracting with actuarial and other expertise, and acquiring software tools to enhance internal reviews. The State will use funds to establish new rate review procedures.
- **Improve transparency and consumer interfaces:** Pennsylvania proposes to build upon the comparison guide on its website by developing a web-based interactive tool and data repository to allow consumers to view and compare product offerings and rates to make the best decision. The website will also include additional transparency enhancements including consumer comments, summaries of approved rate filings, and the final rate determinations.
- **Hire new staff:** Pennsylvania proposes training for current staff.
- **Improve IT:** Pennsylvania will develop a database for market analysis and consumer assistance tools.

### Rhode Island

**Grantee:** Rhode Island Department of Business Regulation

**Total Award:** \$3,724,651

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$124,651

**Performance Award Amount:** \$600,000

- **Expand scope of rate review:** Rhode Island will use funds to create an operations manual for the rate review process. The manual will culminate in the issuance of a regulation to institutionalize Rhode Island’s rate review process and procedures.
- **Improve rate filing requirements:** Rhode Island will collaborate on the development of revisions to its Health Insurance Supplemental Annual Statement and enhance insurer compliance with the affordability standards.
- **Improve transparency and consumer interfaces:** Rhode Island will work with new staff to develop a written and web based consumer guide to Rhode Island health insurance consumer services.
- **Hire new staff:** Rhode Island will create 4 new positions with Cycle II grant funding; these positions are in addition to the 1 position created with Cycle I resources.
- **Improve IT:** Rhode Island is interested in utilizing an All Payer Claims Database to support its research into hospital payments and utilization. Rhode Island will also support efforts to develop a public portal for direct consumer access to the All Payer Claims Database once complete.

**South Dakota**

**Grantee:** South Dakota Division of Insurance

**Total Award:** \$3,000,923

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$923

- **Improve rate filing requirements:** South Dakota plans to collect information from the preliminary justification forms, display information on its web portal, and collect public comments on rate filings.
- **Improve transparency and consumer interfaces:** South Dakota will continue to support enhancements and maintenance to the consumer web portal created during Cycle I. This web portal will allow consumers to access rate filings in a web-based manner.
- **Hire new staff:** South Dakota will create 1 new position with Cycle II Grant funding.
- **Improve IT:** South Dakota will support enhanced data collection, the display of collected data, and receipt of public comments on rate filings.

**Tennessee**

**Grantee:** Tennessee Department of Commerce and Insurance

**Total Award:** \$3,979,002

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$379,002

**Performance Award Amount:** \$600,000

- **Introduce legislation:** Tennessee will review existing and new laws, legislative development, forms development. The State will consider further legislation and regulations to improve its rate review process.
- **Expand scope of rate review:** With the help of Cycle I grant funds Tennessee gained prior approval authority in the small group market. Cycle II funding will help support this expanded authority.
- **Improve rate filing requirements:** Tennessee will continue to support its All Payer Claims Database (APCD) and make infrastructure improvements to use additional data in reviewing rates.
- **Improve transparency and consumer interfaces:** Tennessee will add a public comment capability on its website.
- **Hire new staff:** Tennessee will provide training to staff and propose an internship program.
- **Improve IT:** Tennessee is proposing to utilize cutting-edge software for actuary use in modeling and benchmarking.

#### Utah

**Grantee:** Utah Department of Insurance

**Total Award:** \$3,315,679

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$315,679

- **Introduce legislation:** Utah will use funds to support the drafting of rules and laws for expanding authority into the large group market.
- **Expand scope of rate review:** Utah is conducting a study and working to draft legislation for the expansion of its rate review authority over the large group market.
- **Improve rate filing requirements:** Utah is revising Rule R590-220 to include a written description justifying any proposed rate increase, as well as requiring other relevant data elements.
- **Improve transparency and consumer interfaces:** Utah is implementing a web-based transparency database for consumer comments on the rate review process and increasing advanced notice to consumers before rate changes become effective. Utah's database will be accessible to consumers from all types of mobile devices and will allow consumers to compare health insurance rates between insurers, view requested rate changes, and provide meaningful data related to the cost of health insurance.
- **Hire new staff:** Utah will create 4 new positions with Cycle II grant funding; these positions are in addition to the 1 position created with Cycle I resources.
- **Improve IT:** Utah will continue to develop a consumer-friendly database and support data exchange capabilities between the State and federal government.

## Vermont

**Grantee:** Vermont Department of Banking, Insurance, Securities and Health Care Administration

**Total Award:** \$3,804,045

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$204,045

**Performance Award Amount:** \$600,000

- **Expand scope of rate review:** Vermont will continue to review minor health insurance products of insurance and will continue to enhance the review rates in the large group market.
- **Improve rate filing requirements:** Vermont plans to continue the development of filing standards for individual and small group and will continue collecting relevant data and information from Third Party Administrators (TPAs).
- **Improve transparency and consumer interfaces:** Vermont will maintain and enhance its new rate review website, post filings within 5 days of receipt to encourage consumer comment, and use market research to support the State's review of rate increases.
- **Hire new staff:** Vermont will create 2 new positions with Cycle II grant funding; these positions are in addition to the 1 position created with Cycle I resources.
- **Improve IT:** Vermont plans to build the data and analytical structure to support a more comprehensive rate review process with enhanced transparency, including the integration of hospital budget reviews in the rate review process.

## West Virginia

**Grantee:** West Virginia Office of the Insurance Commissioner

**Total Award:** \$3,000,000

**Baseline Award:** \$3,000,000

- **Introduce legislation:** West Virginia proposes to work with a contracting firm to review State statute and administrative code as pertaining to the rate review processes in order to recommend possible changes and enhancements as necessary
- **Improve rate filing requirements:** West Virginia will continue an existing actuarial contract for the review of individual and small group filings and update and modify a manual of rate review guidelines.
- **Improve transparency and consumer interfaces:** West Virginia proposes funding for System for Electronic Rate and Form Filing (SERFF) enhancements.
- **Improve IT:** West Virginia proposes to develop an analytic model in an electronic format to review trend data, administrative expenses, and other benchmarks during the review of a rate filing.

## **Wisconsin**

**Grantee:** Wisconsin Office of the Commissioner of Insurance

**Total Award:** \$3,958,844

**Baseline Award:** \$3,000,000

**Workload Award Amount:** \$358,844

**Performance Award Amount:** \$600,000

- **Expand scope of rate review:** Wisconsin introduced legislation in Cycle I (still pending) to apply its individual market standards (including disapproval of rates) to the small group market.
- **Improve rate filing requirements:** Wisconsin will implement the enhanced rate review process developed in Cycle I and will conduct annual market surveys of the individual and small group markets.
- **Improve transparency and consumer interfaces:** The Wisconsin website will accept and review comments from consumers, post rate filing consumer summaries, and allow consumers to sign up for notifications of submission of rate filings.
- **Hire new staff:** Wisconsin will continue to support the 5 positions created with Cycle I grant funds throughout Cycle II.
- **Improve IT:** Wisconsin will create an online system for insurers to submit relevant rate filing data. The State will also enhance its Rate Tracking System by expanding the scope of information collected and automating the collection that is currently done manually, including the capability to run standard reports.

*Note: The Cycle II proposal summary for the California Department of Managed Health Care was corrected on September 22, 2011.*