



**Statement of
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ON

**Affordable Care Act:
Impact on Health Insurance Rate Review**

**Before the
Senate Committee on Health, Education, Labor & Pensions
United States Senate**

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Introduction

Good morning Chairman Harkin, Ranking Member Enzi, and distinguished members of the committee. My name is Teresa Miller, and I am the administrator of the Oregon Insurance Division of the Department of Consumer and Business Services. I am honored to be here today and appreciate the opportunity to explain how federal grants are improving our health insurance rate review process in Oregon.

Over the past four years, Oregon has transformed its review of rate requests, making it more transparent, rigorous, and inclusive. Our process is as open as any in the country and it is backed by a strong rate review statute. As we strengthened our state law and opened our process, federal grants available through the Affordable Care Act provided additional staff to conduct more in-depth reviews of rate increases and funds to solicit meaningful public comment. In addition to giving the Oregon Insurance Division the ability to prevent excessive rate increases, Oregon's rate review allows us to engage consumers and educate them about the factors that lead to rising health insurance costs.

I would like to give you some background on rate review in Oregon and the improvements we have made – and plan to make – with grants available under the Affordable Care Act.

Rate review in Oregon

Oregon, unlike many states, has a competitive health insurance market. Seven Oregon-based insurers actively compete in the small group and individual markets that we regulate. Insurers in these markets must submit rates and have them approved by the state before they take effect.

The Oregon Insurance Division reviews rates to ensure they are reasonable in relation to the benefits provided. During our review, we look at the cost of medical care and prescription drugs, the company's past history of rate changes, the financial strength of the company, actual and projected claims costs, enrollment trends, premiums, administrative costs, and profit. Oregon's own health reform law passed in 2009 expanded the factors we can consider in evaluating a rate request. It gives us, for example, explicit authority to consider factors such as an insurer's investment income, surplus, and efforts to control costs and improve quality.

Perhaps most significantly, we may also consider an insurer's overall profitability rather than just the profitability of a particular line of insurance. Finally, insurers must separately report and justify changes in administrative expenses by line of business and must provide more detail about what they spend on salaries, commissions, marketing, advertising, and other administrative expenses.

In addition to strengthening our authority, we also have taken many steps in recent years to make our process more transparent. For example, we have added the following elements:

- We post rate filings for individual, portability, and small-employer plans on the Insurance Division website once they are deemed complete. All information is public.
- A required feature of the filing by the insurer is a plain-language summary highlighting the insurer's request along with a five-year history of rate increases for that line of insurance.
- The posting of the filing triggers a 30-day public comment period. We send an e-mail to policyholders who sign up for e-mail notification when their company files a rate request. Any comments consumers make are posted to the website.

- We contract with a consumer group, using federal grant money, to comment on key rate requests on behalf of consumers.
- We must issue a decision within 10 days of the close of the public comment period – meaning we have 40 days to complete most of the work.
- Because every rate change is based on a unique set of facts, we file a plain-language summary on the website listing key factors underlying each rate filing decision.
- Finally, we send policyholders an e-mail with a link to the decision.

Let me explain how this process works in the context of a rate filing. This past spring, Regence BlueCross BlueShield of Oregon, the largest carrier in the markets we regulate, requested a 22.1 percent rate increase. This affected about 59,000 people with individual health plans, the state’s single-largest group of individual health plan policyholders.

Once our intake coordinator (hired with new federal grant funding) verified the filing was complete, we posted all the company’s documents on our website, notified consumers that Regence had filed for a rate increase, and launched the 30-day public comment period.

At the same time, a consumer watchdog group that we contract with using federal grant funds began its analysis of the request. In addition to reviewing the filing with its own actuary, this group generated an additional 800 public comments as part of its outreach.

Finally, because of the size of the proposed increase and number of policyholders affected, I scheduled the division’s first public hearing in at least 20 years. We used federal grant funds to help pay the hearing costs. At the hearing, which was attended by more than 150 people, the company outlined its request, the division posed questions to the insurer, and the consumer group outlined its concerns.

In this case, our actuaries questioned the company’s assumptions about future medical costs and the costs of new benefits required by federal reform. Our authority to take into account an insurer’s surplus and overall profitability were also key factors.

Of course, we analyzed the company’s medical loss ratio – that is how much of the premium dollar goes to health care costs as opposed to administration and profit. In Oregon’s competitive market, most or all of our large health insurers already meet the new federal requirement to spend at least 80 percent of premium dollars on medical costs.

The division ultimately approved a 12.8 percent rate increase instead of the 22.1 percent requested. The division’s decision to significantly reduce the rate increase was based on a desire to stem a recent history of enrollment losses in these particular plans and to spur greater stability in rates going forward. And, it was done with the knowledge that Regence is financially sound with substantial surplus, which could help offset any losses incurred from these plans.

Once the decision was made, our grant-funded project coordinator drafted a brief, plain-language explanation of our decision as well as a detailed response to the consumer group’s comments. We posted these online and sent an e-mail link to consumers.

ACA grants to improve rate review

Federal grants have proved essential for us to conduct these detailed reviews and to solicit meaningful public comments. Here are some examples of how we have spent federal grant dollars to date.

Public input: When we instituted a 30-day public comment period, we initially attracted few public comments. After all, the bulk of rate filing materials remain highly technical. Those who did comment generally said they could not afford rising premiums but did not address the factors we must consider by

law in weighing rate requests. That is why we used \$100,000 of our cycle 1 grant to contract with a consumer advocacy group to weigh in on behalf of consumers. This group's detailed analyses have been extremely helpful. Oregon State Public Interest Research Group (OSPIRG) keeps us on our toes and reminds us of the questions consumers want answered.

In-depth review: Because Oregon has a competitive health insurance market, we review approximately 50 rate requests a year. The first round of federal grants enabled us to add an actuary to our staff, and we propose to add another one in the next grant cycle. This would double the number of our health actuaries, from two to four. This enables us to do a more in-depth analysis, to pursue any issues raised by the consumer group, and to hold more public hearings so that those who want to watch or participate can see the scrutiny we give these requests.

Additionally, the grant funds pay for a market analyst who tracks insurers' administrative costs by line of business and for staff to process filings, manage the grants and write the explanations of our rate decisions.

These additional staff members are key to making decisions within the required 40 days from the time a filing is deemed complete. Meeting this deadline became increasingly difficult as we added steps to open up our process and as we required more information from insurers through our strengthened rate review law.

Our strengthened law and additional staff have resulted in cost savings for consumers. In the year that followed the strengthening of our state's rate review law, we lowered insurance company rate requests 50 percent of the time. The size of the reduction averaged 4 percentage points – for example a company would request a 16 percent rate increase and we would grant a 12 percent increase. That saves consumers just under \$10 a month. Of course, that does not solve the problem of affordability, but every percentage point of a rate request matters to us. At the same time, we understand we must control health care costs to stabilize insurance rates.

Communications: Although insurance company rate request documents have been public for several years, they have been difficult for consumers to find on our website. With the federal grant, we were able to create a new web page devoted to health insurance rates featuring a search engine that allows consumers to more easily find a rate filing, a seven-minute animated video explaining why health insurance costs so much, and other information about how we review health insurance rates. I have attached a screenshot of this page. On the day we issued the Regence decision, we had 500 hits on this page. We also used some money to conduct the Regence public hearing, which was instructive for a variety of reasons. The Oregonians who attended appreciated the opportunity to have their voice heard as well as watching us question the company about the request.

Study on how rate review could help lower medical costs: Ultimately, the key to stabilizing health insurance costs is controlling medical costs. In Oregon, considering all insurance markets, an average of 89 cents of every premium dollar goes to pay for health care. To explore how we might be able to affect health care costs in rate review, we used \$150,000 of our first-year federal grant to contract with an actuarial firm to conduct a study. The study results are due this fall, and may result in legislation. One idea we are exploring is to deny rate requests if the insurer reimburses providers for specified medical errors that should never happen. With Oregon's competitive insurance market, providers in more rural parts of the state often have an upper hand in contract negotiations. One of the goals of this study is to identify ways of leveling the playing field between insurers and providers by, for example, requiring all insurers to include certain provisions aimed at controlling costs in their contracts with providers.

Future grant proposals

In conducting the recent public hearing in Oregon, it became clear that even with one of the most open processes in the country, consumers are unaware of the scrutiny we apply to rate requests. I'm proud of our work and want Oregonians to see the rigor of our reviews, so we plan to apply for additional federal grant money to incorporate public hearings into most individual and small group rate requests.

We anticipate approximately 20 public hearings a year and would expand funding to the consumer group so it could provide comments and participate. During the proposed hearings, our actuaries and a contracted consumer advocacy group would pose questions to insurance company actuaries — covering issues that we might otherwise call or e-mail about. At the conclusion, we would open the meeting to public comment. We are including money in the grant for technology that would allow people to watch the hearings from their computers – live or later at their convenience. By fall, we also hope to begin posting all the actuarial correspondence between the division and insurers. While this correspondence is public record, it currently is not readily accessible to the public.

In addition to the public hearings, we will propose using grant money to hire another health actuary to scrutinize rate requests and participate in public hearings and a health insurance rate liaison to explain our process and to provide rate information to consumers. We also will propose a health reform/exchange coordinator to assist with federal and state reform efforts that impact our rate review process. In Oregon, the Health Insurance Exchange is governed by a public corporation, and much of the planning rests with this corporation and a separate state agency charged with coordinating and implementing state health care reform. We work closely with the Exchange and this agency and will continue to do so as the Exchange in Oregon becomes operational. For example, we will review health plans offered through the Exchange to ensure that they meet the standards established by the state Exchange and the Affordable Care Act.

Finally, we will continue improvements to our web and print publications designed to better educate consumers about rate review, including the key factors that drive health insurance rates.

Conclusion

Federal grants to improve states' review of health insurance rates are essential to educating the public and preventing excessive rates. In Oregon, the next step in rate review is finding ways to help lower medical costs so that we can truly make health insurance affordable to consumers. Thank you for this opportunity to share Oregon's experience and for the funding that enables us to strive for continued improvement. I'm happy to answer your questions.

References

- Oregon's rate review web page: www.oregonhealthrates.org
- Example of a decision summary: <http://www.oregonhealthrates.org/files/decision.pdf>
- Insurance Division response to OSPIRG analysis: http://www.oregonhealthrates.org/files/dcbs_response_ospirg.pdf
- Grant page: <http://insurance.oregon.gov/consumer/federal-health-reform/rate-review-grant.html>
- Oregon's administrative rules on rate review (836-053-0471): http://arcweb.sos.state.or.us/rules/OARS_800/OAR_836/836_053.html

Health Insurance Rate Review

OREGON INSURANCE DIVISION

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Rate Grants

Why does health insurance cost so much?

 Watch "About Your Premium..." to learn why.



Research and comment on a rate request that affects you.

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Regence rate decision

Medicare supplement rate histories

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