



An Overview of the Rate Review Process

NC Get Covered Meeting

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Topics

- State Regulation of Health Insurance Rates
- Rate vs Premium
- NCDOI's Rate Review Authority and Process
 - Focus of review
 - Process
- ACA Provisions, Issues, Complications
 - Rating Standards
 - Effective Rate Review
 - 2016 Plan Year
 - FFM Implications



State Regulation of Health Insurance Rates

- NCDOI's authority to regulate health insurance rates is provided through state laws and regulations, and in some cases, federal laws and regulations.

Rate vs Premium

- In North Carolina, the base price for health insurance is known as a **RATE**. A **PREMIUM** is the specific amount a policyholder pays for insurance coverage and is calculated using the rate.
- An individual's actual premium will be adjusted from the **RATE** depending on many different factors, including historically an individual's or group's insurability/claims history, gender, or occupation/industry.

Rate vs Premium (continued)

- Other factors that impact premium include:
 - Benefits selected
 - Cost-sharing levels
 - Geographic location
 - Age
 - Family members covered
 - Tobacco usage

NCDOl's Rate Review Authority and Process

- Historically, NCDOl's authority over rates has varied based on:

Type of Rate	Type of Market	Type of Insurer	Type of Product
<ul style="list-style-type: none">InitialRevision	<ul style="list-style-type: none">IndividualSmall GroupLarge Group	<ul style="list-style-type: none">TraditionalHosp/Med Service CorpHMO	<ul style="list-style-type: none">General A&HMajor MedMedicare Supplement and LTC

- The discussion today will focus on major medical insurance

Focus of State Review of Health Insurance Rates

- Whenever state prior approval is provided, a rate must:
 - Not be excessive (must be actuarially justified)
 - Not be inadequate (to guard against insolvency of the insurer)
 - Not be unfairly discriminatory (variations must be based on differences in expected claims); and
 - Have a reasonable relationship to the benefits provided.

NCDOl's Rate Review Process

- The Life and Health Division is responsible for the review and final determination on rate filings.
- The L&H Division is assisted by the Actuarial Services Division who perform independent actuarial reviews of rate submissions to assure
 - Professional actuarial standards are followed;
 - The rate filing is actuarially sound; and that the
 - Rate meets the all regulatory standards and is justifiable.

NCDOI's Rate Review Process (continued)

- After rates are approved, NCDOI's rate review process shifts to a post-market model – where consumer complaints and market examinations drive the process.
- Insurers operations may be reviewed or audited based on a consumer complaint or during a regularly scheduled market examination, and those reviews are designed to assure that insurers are administering the approved rates appropriately and that the rates have been approved.
- In cases of violations, the investigations/audits may lead to adjustments in rates for the individuals involved, civil penalties being assessed against the insurer, and/or other regulatory action taken against the insurer.

ACA Provisions, Issues, Complications - Rating Standards

- For ACA compliant coverage in the individual and small group markets:
 - Insurers must consider the claims experience of all enrollees in all non-grandfathered plans in the market in the state to be members of a single risk pool.
 - Insurers may only vary rates for the same plan because of the age of the enrollees, the geographic location (16 regions in NC), and tobacco usage.

ACA Provisions, Issues, Complications - Rating Standards (continued)

- For ACA compliant coverage in the individual and small group markets:
 - For age, an insurer may not differ the rate factor for a 21 year old and a 64 year old by more than 300% (ratio of 3:1).
 - For tobacco usage, an insurer in the individual health insurance market may charge up to 50% more for a person who uses tobacco, and by 20% in the small group market (in NC).
 - Insurers may not rate an individual or a group using gender, business type, health-status, or claims history.
 - All plans must meet metal levels (actuarial value) and must cover EHB

North Carolina Rating Areas



KEY			
■ Region 1	■ Region 5	■ Region 9	■ Region 13
■ Region 2	■ Region 6	■ Region 10	■ Region 14
■ Region 3	■ Region 7	■ Region 11	■ Region 15
■ Region 4	■ Region 8	■ Region 12	■ Region 16

ACA Provisions, Issues, Complications – Effective Rate Review

- Under the ACA, CMS/CCIIO is able to designate a state as having an “effective rate review” process for the individual and/or small group markets, and in doing so, will defer to the state’s determination of whether a rate increase (of 10% or more) is unreasonable.
- NC was designated an effective rate review state in the summer of 2011.

ACA Provisions, Issues, Complications – Effective Rate Review (continued)

- To maintain our effective rate review designation, NCDOI must follow the federal standards for our reviews of rate filings.
- Standards include (examples):
 - Receive data and documentation related to the rate increase that are sufficient to conduct a review and review it in an efficient and timely manner.
 - Conduct efficient and timely review of the data

ACA Provisions, Issues, Complications – Effective Rate Review (continued)

- Standards include (examples):
 - Check the reasonableness of the insurer's assumptions and validity of the underlying historical data
 - Check the insurer's data related to implementation and ongoing utilization of a market-wide single risk pool, essential health benefits, actuarial values and other ACA market rules.

ACA Provisions, Issues, Complications – Effective Rate Review (continued)

- NCDOI must publicly share our determinations relating to rate increases of 10% or more and the basis for our decision.
- Information about such filings is disclosed on federal websites related to rate review, as well as NCDOI's public viewing portal.
- NCDOI also has a system by which a consumer may make comments about a rate filing.

2016 PY Single Risk Pool Rate Filings

- Under federal regulations, insurers had to submit their 2016 plan year single risk pool filings to the state no later than May 15, 2015.
- NCDOl received 18 filings for the individual and small group markets, of which 8 of those were for increases of 10% or more.
- NCDOl will release the approved change in rates for all insurers, on or off exchange, no later than the first day of open enrollment, as required by federal regulation.

Federal and FFM Implications

- NCDOI must share our rate review determinations with the FFM, who may then decide that insurers with unreasonable rates may not be certified as QHP insurers.
- Insurers must submit certain information relating to their single risk pool filings to CMS/CCIIO for all rate filings.
- For rate filings of 10% or more, insurers must also provide to CMS/CCIIO and to the state, a public “layman’s” explanation of the rate increase. That document is published on federal websites, and is available from NCDOI’s public viewing portals.

Federal and FFM Implications

- If a state is not designated as an effective rate review state, or loses such status, then CMS/CCIIO performs rate review in the state for rate filings of 10% or more.
- In such a case, if the rate change is determined “unreasonable”, then CMS/CCIIO’s only authority is to refuse to permit the insurer to participate on the FFM. The insurer may still implement the “unreasonable” rate increase with proper disclosure.



Questions?