

Oregon Insurance Division

Health Insurance *Rate Regulation*

Financial Regulation

- Financial exams (at least every 5 years)
 - Sample claims
- Quarterly statements
- Independently audited annual statements

Policy Form Review

Read health policies to ensure:

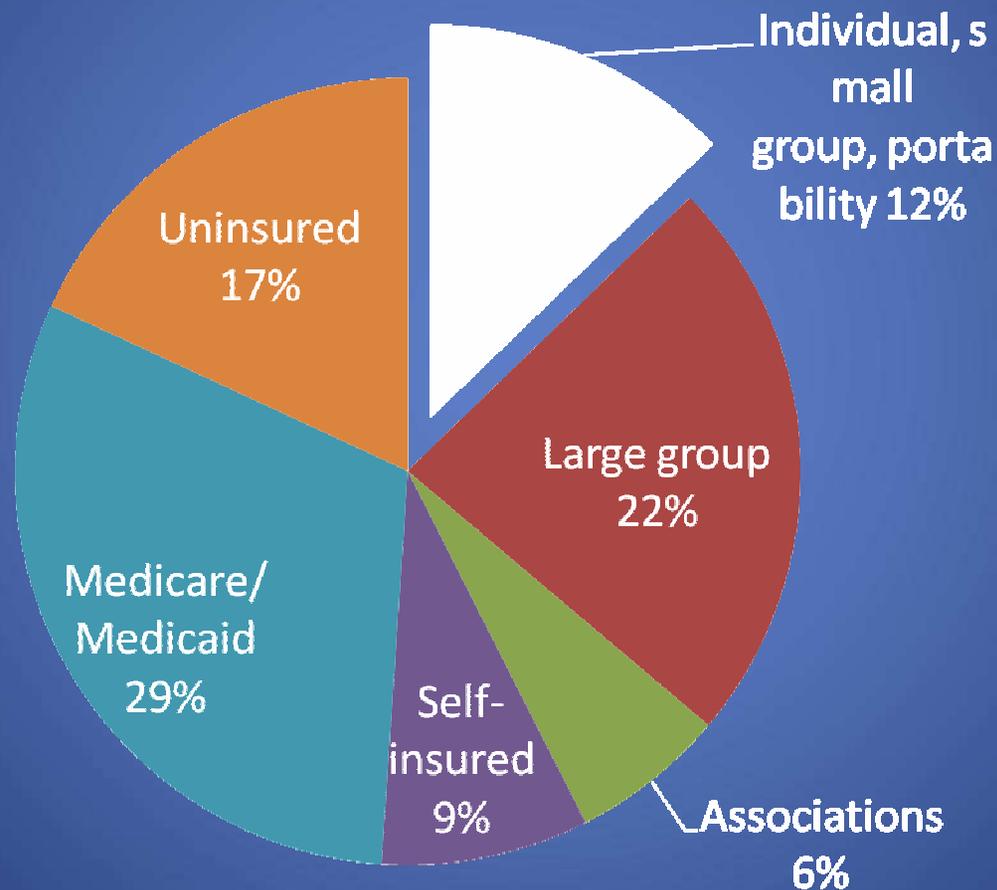
- Mandated benefits are included
- Consumer protections are included (claims handling)
- Compliance with new federal reform law

*Rates must be reasonable
in comparison to benefits*

Oregon Rate Review Law

- Oregon has one of the strongest rate review laws in the country
- Model for other states

Markets Subject to Rate Review



Rate Review Process

- Insurer submits rate filing at least 60 days before proposed effective date
- Rate filing (request) posted on website
- All information submitted with rate request is public
- Includes summary of rate request with 5-year history of rate increases

Rate Review Process

- Website posting triggers:
 - 30-day public comment period
 - 40-day timeline for the division to review the filing and issue decision. (Decision due 10 days from close of comment period)
- Department summary explains decision

Rate Review Law

Disapprove rates if...

“benefits ... are not reasonable in relation to the premium charged”

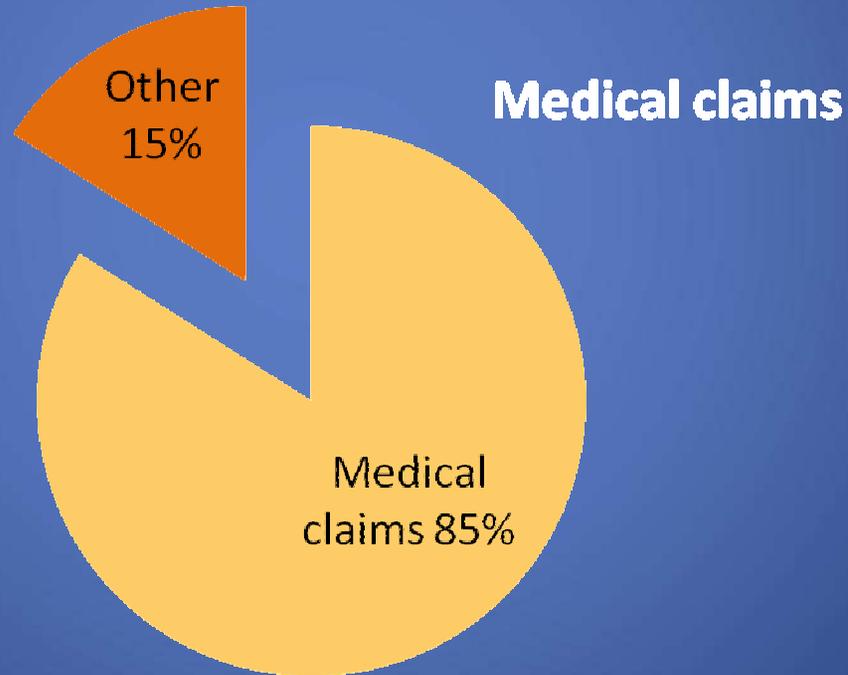
Approve rates that are...

“Reasonable and not excessive, inadequate or unfairly discriminatory”

- Is the aggregate rate request justified?
- Is the request fairly allocated among ratepayers?

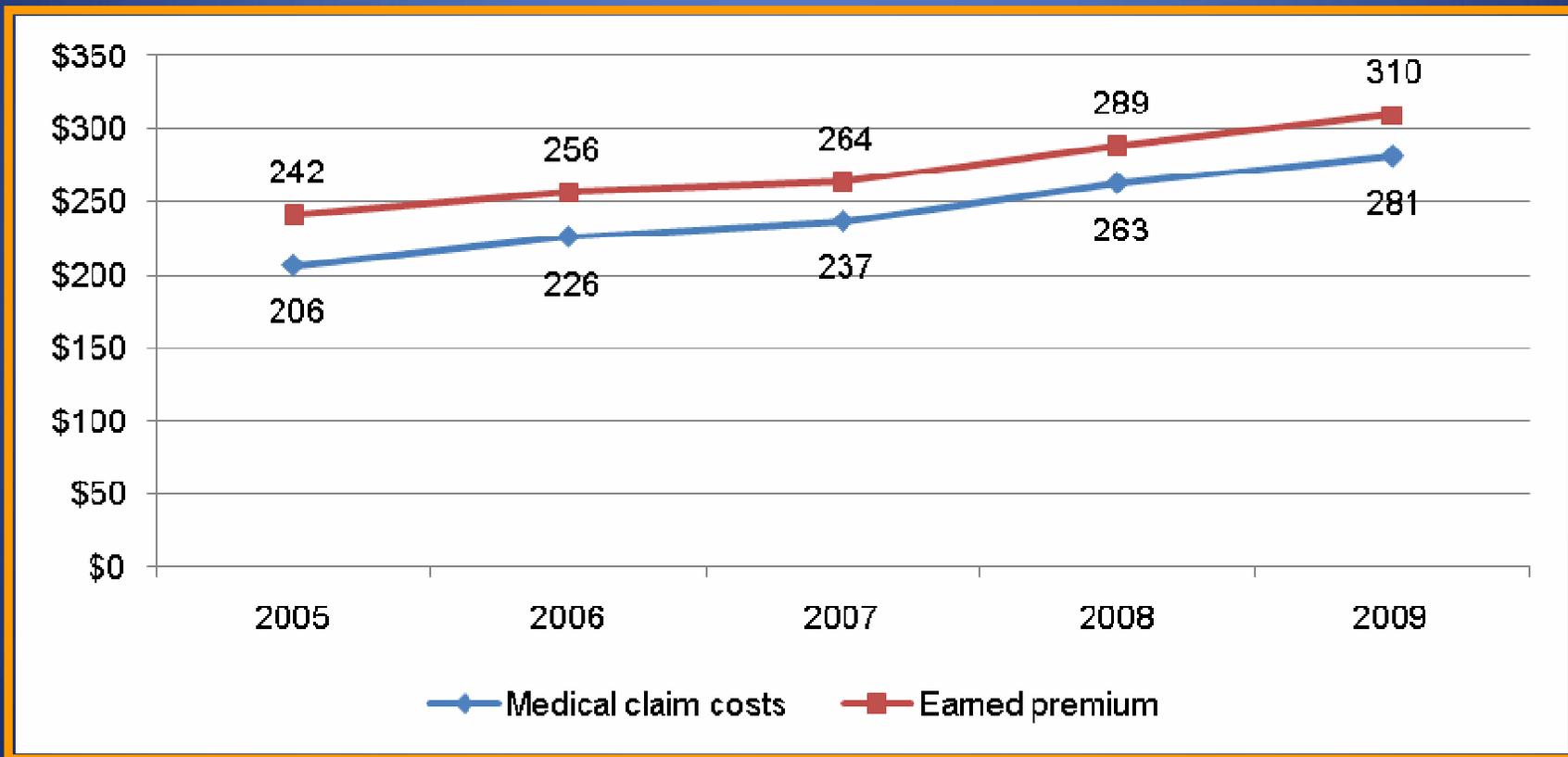
Rate Review Factors

Past and Projected Loss Ratios



Medical Claims Costs

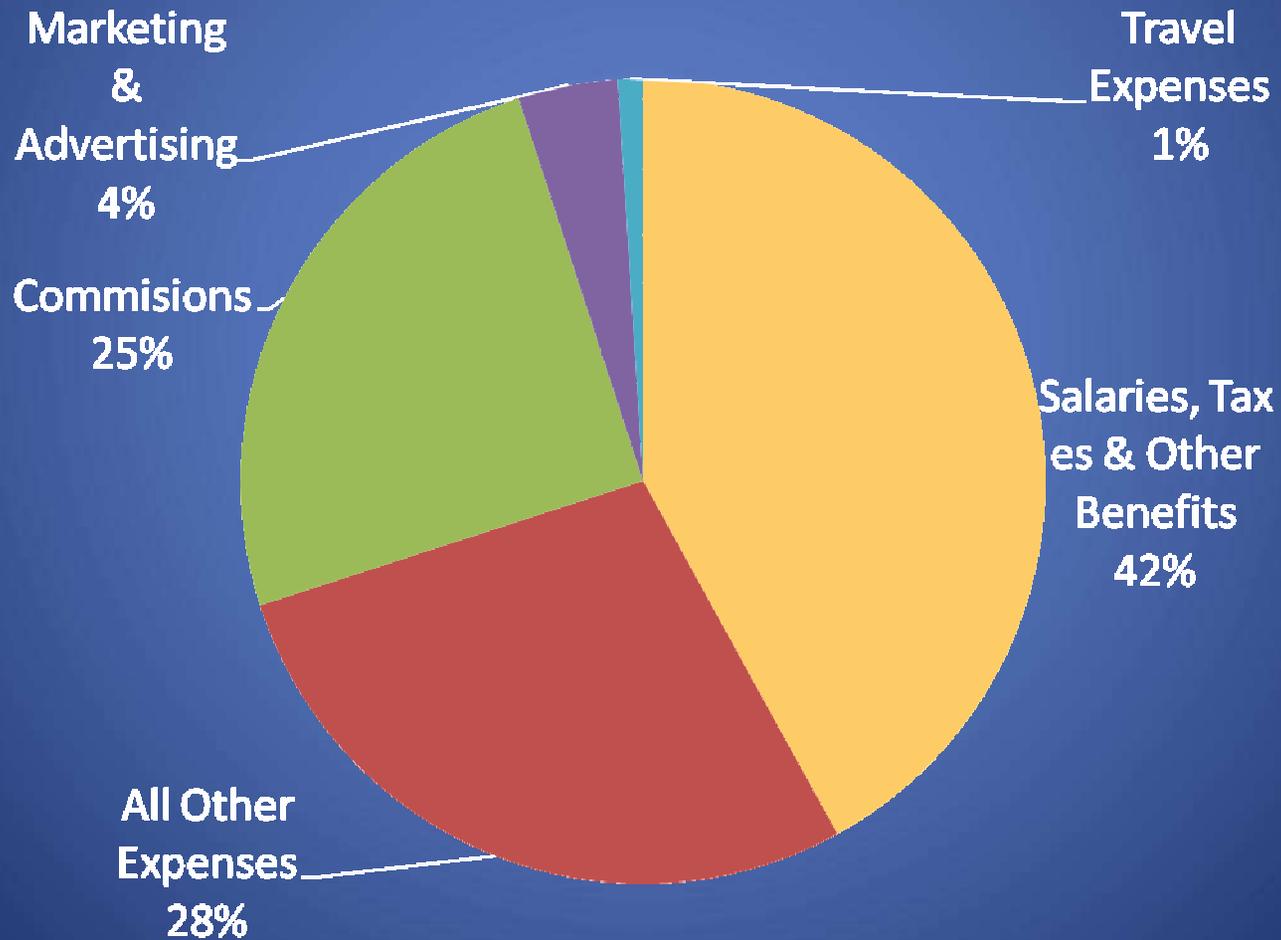
Monthly Premium vs. Medical Claims Costs



Past and Projected Claims Costs

- Two parts to claims costs (trend)
 - Medical inflation
 - Use
- Recent filings show Oregon medical claims costs increasing by 12 percent a year

Administrative Costs



Insurer Profit

Seven largest insurers; all markets

1%

2009

3%

2010

2%

10-Year
Average

Surplus and Rate Review



- The department is careful about using surplus/overall profitability to mitigate rate increases
- Artificially low rates = greater increases in the future

Profit (Loss) in State-Regulated Markets

Recent rate filings

-2.0%

Small Group

-5.6%

Individual

Benefit Issues

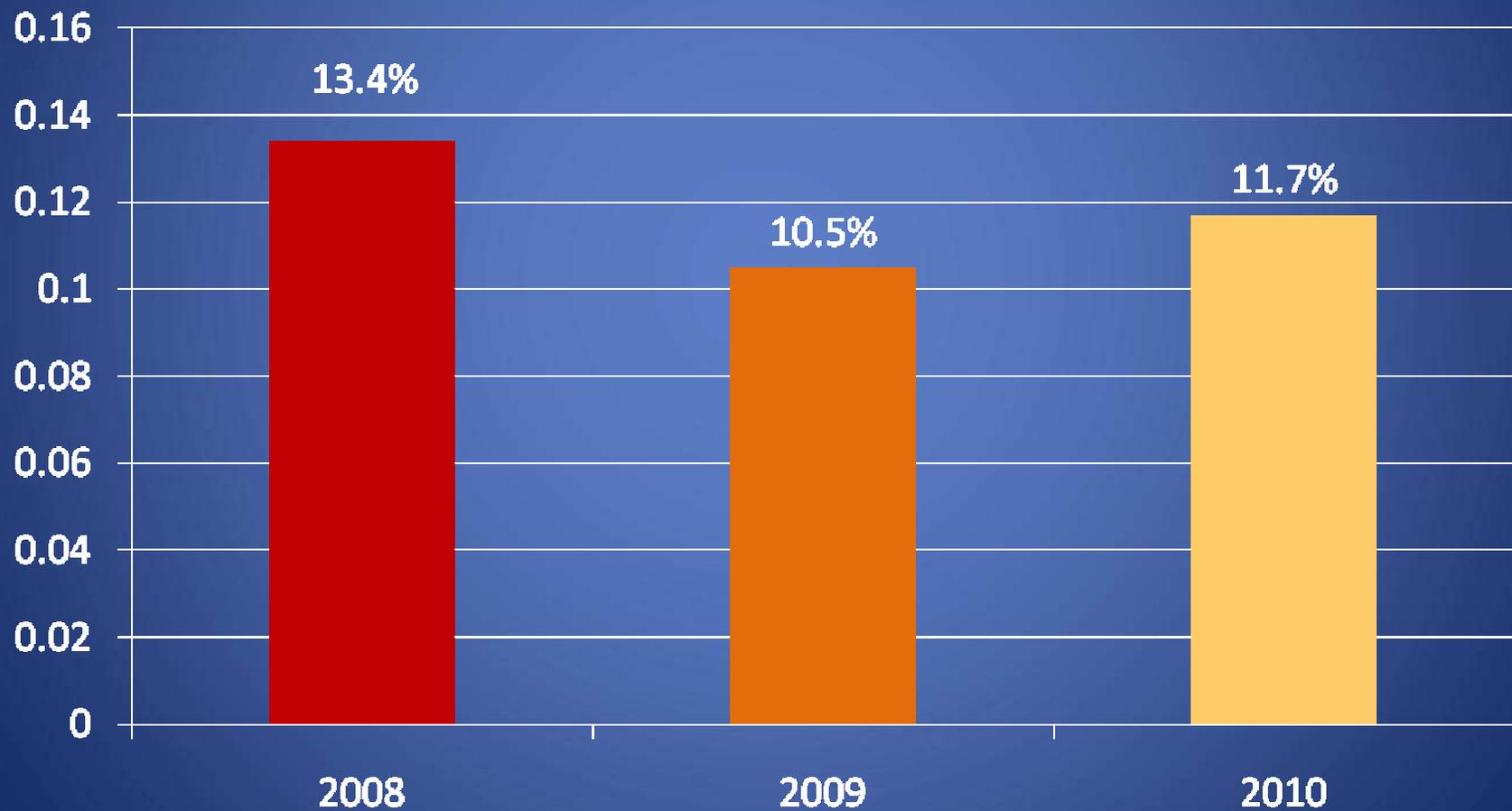
- Federal reform (1-4 percentage points)
 - Preventive care (no cost sharing)
 - Child coverage to age 26
 - No lifetime maximums
 - Must cover kids with preexisting conditions

Distribution of a Rate Increase

- Families with more than 1 child pay more
- Enrollees in a particular geographic region may see a higher or lower increase

Average Rate Increases

Small employers



Recent Small Employer Rate Requests

Company	Requested	Approved
Regence	17.1	15.5
Kaiser	9.2	9.2
PacificSource	15.4	15.4

Oregon Premiums vs. National Small group market, 2009



Oregon Ranking

1

Alaska, \$14,975

35

Oregon, \$11,319

51

Montana, \$9,510

Rate Review Summary

- We have the authority we need to scrutinize rate requests
- Federal grants gave us an additional actuary/market analyst and other staff to...
 - conduct more detailed review
 - provide more consumer-friendly information

Summary

To bend the cost curve, we must understand and address increases in medical claims

- All-payer, all claims database
- Study on ways to use rate review process to address underlying health care costs
- Oregon Health Authority's Action Plan