

PART I: FINAL NARRATIVE REPORT

Introduction

The Illinois Department of Insurance (“the Department”) strengthened the process for reviewing health insurance premium increases and improved the transparency of rate increase information during the Cycle I grant period. Consumers can now easily find, understand and comment on proposed rate hikes. Although Cycle I No-Cost-Extension grant funding ended in September 2012, the Department has continued its efforts to improve its rate review process through the use of Cycle II funding. The Department continues to strive to meet the activities originally planned, but not yet achieved in the Cycle I grant application, in addition to accomplishing its goals and activities planned through the Cycle II grant program.

On July 1, 2011, Illinois was found to have an Effective Rate Review Program as outlined in the Final Rule. The Department continues to utilize grant funding to develop the infrastructure required for an effective rate review process, including new tools and procedures to collect, analyze, and publish premium information in order to inform consumers and State policymakers. Specifically, the Department is investing in technology necessary for enhanced collection and analysis of premium data; developing protocols for the collection, analysis, and publication of premium rates. The goals of the Department’s Premium Review Program are (1) to provide a thorough review of premium rates and (2) significantly enhance consumer protections, including effective engagement and education of the public and policymakers on the issue of health insurance premium rates.

In addition, the Department has made significant progress in its effort to enhance the public’s access to rate information through its website. The Department developed and continues to improve its new rate review page to provide information on current rate filings in a consumer-friendly format and allow consumers to comment on those filings. More information on these and other rate review activities appears below.

Final Progress Summary:

- Total Funds Expended: \$450,110.32
- Total Staff Hired: 3
- Total Contracts in Place: 2
- Introduced Legislation: Yes
- Enhanced IT for Rate Review: Yes
- Submitted Rate Filing Data to HHS: Yes
- Enhanced Consumer Protections: Yes
 - Consumer-Friendly Website: Yes
 - Rate Filings on Website: Yes

Program Implementation Status:

1. Accomplishments to Date

The Department categorized rate review implementation milestones into four broad objective areas: 1) efforts to facilitate the collection of premium rate data; 2) efforts to facilitate the analysis of premium rate data; 3) efforts to establish a process to conduct comprehensive premium rate review; and 4) the engagement and education of the public regarding premium rate filings. A more detailed and narrative discussion of the work behind these milestones appears under the section “Significant Activities: Undertaken and Planned.”

Objective: Effectively Collect Premium Rate Data

- Established a process for reviewing rate filings;
- Identified comprehensive set of rate filing data elements and actuarial documentation necessary for a thorough and adequate review of a rate filing. A list of these data elements and a description of the actuarial memorandum the Department requires was published and issued to carriers in Company Bulletins 2010-08 and 2011-02;
- Worked closely with NAIC to modify SERFF to address data collection and reporting requirements. The Department committed \$18,808 of Cycle I grant funds to SERFF upgrades. In addition, the Department has committed \$20,856 of Cycle II grant funds to SERFF upgrades;
- Evaluated current data collection and system capabilities through electronic reporting, and identified problems with SERFF functionality;
- Hired an IT consultant in January 2012, on an 8 ½ month contract, to begin crafting a plan to transition the Department’s existing IT infrastructure to meet the needs of improved rate review activities and consumer engagement tools. The consultant spends 50% of his time on rate review projects;
- Developed an interim manual process for data reporting by carriers while waiting for implementation of electronic process;
- Launched an internal portal through which carriers could electronically submit rates and actuarial memoranda. As a result, the Department receives filings from carriers through the System for Electronic Rate and Form Filing (SERFF) and the Illinois-specific Premium Rate Review web portal (“portal”). Accompanying each filing is a Rate Data Collection Form, which is a standardized form that requires issuers to provide information on premium increases, loss ratios, earned premiums, paid claims, and incurred claims. Rate filings are also accompanied by an actuarial memorandum;
- Began the process of hiring new staff dedicated to the rate review program. Three insurance analysts were hired in July 2011 under the Cycle I grant to assist with rate filings. The Department intends to retain these three contractual insurance analysts through FFY 2014 using Cycle II funds;

Objective: Effectively Analyze Premium Data

- Continued to compile and collect necessary data;
- Executed a contract with Oliver Wyman to provide actuarial consulting services and other analysis related to premium review. Oliver Wyman began work in June 2011;
- Continued to seek qualified applicants for Health Actuary positions. Due to various hiring freezes during the grant period, the Department has retained the services of its actuarial consulting firm to perform these duties in the interim. Oliver Wyman's contract will be renewed until February 2014, using Cycle II funds.

Objective: Obtain Authority and Establish Process for Comprehensive Premium Rate Review

- Reviewed HHS final rule and ACA provisions related to unreasonable premium increases and implemented an internal process for reviewing rates;
- Drafted legislation (HB 1501) to obtain authority to approve and deny rate increases. The bill was introduced February 10, 2011. The Department worked with consumer advocates, legislators and other stakeholders to educate them on the need for additional authority. The General Assembly adjourned without taking action;
- Convened internal meetings to consider options to continue pursuing statutory authority;
- During April and May 2011, the Department worked with legislators and stakeholders to develop a plan for public hearings on proposed rate increases. The Department will continue to discuss a path to completing this task.

Objective: Engage and Educate the Public on Premium Rates and Rate Review Authority

- Researched best practices in other states for public display of premium rate information;
- Convened internal meetings to discuss the development of a premium rate "Report Card" to display premium information on Department website;
- Developed a web tool to display premium information while the "Report Card" concept is in development;
- Developed a new rate filing webpage to provide consumers with information on the rates most recently filed with the Department; and
- Established a consumer comment function on the Department's website to allow for comments on rate filings.

2. Challenges and Responses

- The Department continued to experience delays in adding new staff due to State hiring requirements during the grant period. However, the Department continues to actively

seek qualified applicants to carry out its rate review activities, and has retained the services of an actuarial consulting firm in the interim. The contract has been renewed until February 2013 and will be further renewed until February 2014.

- Despite continued delays, the Department has recently been successful in moving forward with the process of hiring one Health Actuary II and a Health Actuarial Assistant. A recent hiring freeze has put the hiring of these positions on hold again. In addition, progress has been made in hiring IT consultant staff to assist the current IT staff and actuarial consulting firm in designing and building rate review software. These positions will be funded through the Cycle II grant funds.

Significant Activities Undertaken:

- On July 1, 2011, Illinois was found to have an Effective Rate Review Program as outlined in the Final Rule. The Department is committed to making substantial enhancements to its current rate review program. In order to improve the performance, transparency, and accountability of the private health insurance marketplace, the Department will continue to collect and publicly disclose health insurance rates. Health insurance consumers—families and small business in particular—will benefit from increased scrutiny of proposed rate increases. Carriers that pursue rate increases that the Department deems to be unreasonable will have to publicly disclose this information on their websites. The Department’s current program will be expanded further, using Cycle II funding, to allow for the analysis of data provided by insurers to identify marketplace trends. The Department will continue to engage stakeholders and the people of Illinois in a collaborative effort to address the rising cost of health insurance coverage.
- As noted above, the Department has categorized Grant implementation milestones into four broad areas: 1) efforts to facilitate the collection of premium rate data; 2) efforts to facilitate the analysis of premium rate data; 3) efforts to obtain the authority and establish a process to conduct comprehensive premium rate review; and 4) the engagement and education of the public regarding premium rate findings. Each of the four categories is further organized into multiple subcategories described below.

1. Collection of Premium Rate Data

A. Technical Capacity for Data Collection

The Department upgraded the current SERFF system at a cost of \$18,808, using Cycle I funding. The cost covers the expenses associated with modifying SERFF to address data collection and reporting requirements, such as:

- State options to indicate premium review grant participation;
- Company profile changes to incorporate company type;
- State-maintained indicator for rate filing requests meeting the HHS threshold for ‘unreasonable’;

- Addition of field to indicate product types;
- Company-maintained product information including product name, HHS id, and product status that will allow the companies to track products and apply them to filings;
- A new set of fields added to the Rate/Rule schedule items to provide HIPR data on a policy form basis;
- Changes to the State API to accommodate retrieval of the data elements added above and to allow for updates of appropriate data elements via the State API.

In the first and second quarters of the Cycle I grant period, the Department determined that the SERFF system, as currently constituted, would be insufficient toward achieving the goals of the premium review program. In response, the Department developed and launched the Illinois Web Portal, which it has been using to collect and organize additional information from carriers (alongside the traditional SERFF process) since February 1, 2011.

In addition, the Department initiated the process during Cycle I of bringing an IT consultant on staff to assist the Department in upgrading and maintaining the internal portal. Many improvements have been made to the internal portal since the IT consultant began working at DOI in January 2012.

- On March 7, 2012 DOI released Web Portal 2.0 Changes to carriers. DOI implemented a number of enhancements based on our observations and user feedback. Improved page navigation allows the user to move between pages and sections easier. Experience year data will now auto-fill the applicable interrogatory sections, and company forms will be selected from a search instead of keying them in. A tutorial was developed to provide carriers with assistance with the upgrades.
- An additional enhancement to the Web Portal was made to recognize assumed business filings. An insurer may now file a rate filing on assumed business by marking the appropriate box and entering the policy forms directly.
- In addition, DOI released the Health Premium Rates Review Requirement Checklist for insurers to use to make complete and accurate rate filings with the Department of Insurance. The checklist was compiled based on both DOI and insurer comments.

B. Staffing Capacity for Data Collection

With the use of Cycle I grant funds, the Department was able to hire three full-time insurance analysts (contractual) to assist with data collection for the rate review program. The Department intends to retain the three contractual insurance analysts through FFY 2014 using Cycle II funds.

The Department intends to retain the actuarial consulting firm until the Health Actuaries can be brought on staff. The contract with the outside actuarial firm has been extended until February 2013 and will be further extended until February 2014.

C. Collection of Data

Pursuant to Company Bulletins 2010-08 and 2011-02, the Department received 134 rate filings during the Cycle I grant period, and of those, 70 requested rate increases and were subject to review. Of these filings, 76 were pending review, 61 were filed, and 2 were withdrawn per company request.

2. Analysis of Premium Rate Data

A. Identifying Analytics Goals

The Department reviewed the final HHS rules issued in May and identified all rate information necessary to compile from filings. This information has been incorporated into the analysis process described under the “Operational/Policy Developments” section.

B. Technical Capacity for Data Analysis

The Department launched the Rate Review Project on June 21, 2011, and continues to work with its actuarial consulting firm to enhance its processes for the review of premium filings. This process is described in detail under the “Operational/Policy Developments” section of this report.

C. Staffing Capacity for Data Analysis

As detailed above in the “Challenges and Responses” section, the Department continues efforts to find qualified applicants for these positions, and will also move ahead with the hiring of an Actuarial Assistant on a contractual basis to help ease the burden of new program requirements on existing staff. In the interim, these services are being performed by outside actuarial consultants.

The Department has recently been successful in moving forward with the process of hiring one Health Actuary II and a Health Actuarial Assistant. The Department has also moved forward to hire IT consultant staff to assist the current IT staff and actuarial consulting firm in designing and building rate review software and converting it to a web-based system for consumer use.

The Department intends to retain the actuarial consulting firm until the Health Actuaries can be brought on staff. The contract with the outside actuarial firm has been extended until February 2013 and will be further extended until February 2014.

In addition, the Department intends to hire a Research Economist who will be responsible for collecting data from rate filings received from carriers. The Research Economist then will generate reports used for consumer outreach, for financial and actuarial analysis, and ultimately work with the Exchange in monitoring the insurance market in Illinois. The Department is currently developing a job description for this position.

D. Conduct Analysis

- The Department received 134 filings during the grant period, 70 of which were subject to review. For filings received after September 1, 2011, the Department's Actuary works with the actuarial consultants to review premium information received from carriers.

For the majority of these filings, the Department requested further information from the carrier because the information provided in the initial filing was insufficient for a thorough analysis. The Department did not see a significant increase in the number of rate filings. Even though the Department does not have the authority to approve or disapprove rates, there were a few filings where the carriers requested a high rate increase, and the Department indicated that they would report the rates as "unreasonable". The carriers then reduced their rate increases. As a result of the rate review program, the Department has noticed significantly fewer large rate increases.

- The consultants then review the rate increase to determine reasonableness and accuracy. If the increase exceeds 10 percent, the consultants conduct a more in-depth review and issue a report to the Department's Actuary as to whether the rate increase is reasonable.
- The Department's Actuary then reviews the report and makes a final determination. The Department has worked with its actuarial consultants to streamline this review process to ensure efficiency and accuracy. The Department utilizes a rate submission checklist to promote consistency among filings and assist insurance analysts in efficiently reviewing filings for necessary information.
- The Department intends to complete reviews within 30 days, on average, once all information is received from the carrier.
- The Department's final determination will include an explanation of its analysis and is provided to CMS within five business days following its determination. This process has been put into place.
- In order to encourage consistency across reviewers and filings, the Department has developed a standardized template for reporting filings that are subject to review by HHS. The Department will then enter the outcome into the CMS web-based system, including a brief narrative of any rate increase "subject to review".

3. Establish Process for Conducting Comprehensive Premium Rate Review

A. Obtain Authority to Approve or Deny Premium Rate Increases

- The Department drafted legislation (HB 1501) to obtain the authority to approve and deny rate increases during the first quarter and introduced its bill in the General Assembly on February 10, 2011. Legislation that would have provided the Department with the ability to deny proposed rates which are unreasonable, excessive, inadequate,

unjustified or unfairly discriminatory unfortunately did not move out of committee before the General Assembly adjourned its 2011 spring session.

- The Department also carefully reviewed the proposed and final rules regarding rate review issued by HHS and incorporated the requirements into the review process established during the third quarter. For a detailed discussion of that process, please see the “Operational and Policy Developments” section below. In addition, the Department actively participated in the commenting process on the proposed rules through NAIC.

4. Public Engagement and Education

A. Public Hearings

During April and May 2011, the Department worked with legislators and stakeholders to develop a plan for public hearings on proposed rate hearings. The Department will continue to discuss a path towards completing this task.

B. Interactive Website

- The Department has received a Consumer Assistance Program Grant under the Affordable Care Act and will be coordinating website improvement efforts related to both grants so as to avoid duplication. The Department is using Rate Review grant dollars to develop an interactive and user-friendly website allowing consumers to, among other things, search and access all publicly available information related to premium rates and rate increases within the Illinois health insurance marketplace.
- The Department continues internal discussions regarding the design of a rate review “Report Card” to display rate information on its new rate filing webpage. The Department staff has made great strides in furthering this task and has held numerous meetings to discuss what information, provided by carriers through the web portal, can be populated to fields in an easy to understand report card. In addition, the Department has reviewed, and posted on its website, an educational Rate Review Webinar: “A Guide to Rate Review”, (in the individual market) a graphic and easy-to-understand description of how the rate review process works in Illinois. A similar webinar for the Group Market and a frequently asked questions and answers document have been posted on the Department’s Premium Rate Review Webpage. In addition, a new Brochure – describing the rate review process and how consumers can get involved, has been finalized and posted on the Department’s Premium Rate Review Webpage. The Department has begun the process of printing 1500 copies of the Brochure to be distributed at public places, to be determined by senior staff. Having the Brochure in print form will educate and inform consumers who do not have internet access about the rate review process.
- In addition to the rate review process educational materials, the Department has updated its Medical Loss Ratios Webpage and included Fact Sheets on rebates and the medical loss ratio in both the individual market and the group market. These materials have been posted on the Department’s Medical Loss Ratios Webpage.

- These educational materials are all designed to educate consumers and increase the Department's transparency and outreach efforts. Funding for these updates will come from Cycle II grant funding.
- Also during the grant period, the Department continued the development of its new rate filing webpage that includes an interactive web tool to display current rate filings from 2005-2012 and the ability to comment to the Department on these filings. In addition, during the fifth and sixth quarters of the grant period, utilizing funding from the Consumer Assistance Program, the Department engaged a consulting firm to assess the Department's consumer service activities, including the accessibility of the Department's website and other outreach efforts. The final report and recommendations from the vendor are currently being reviewed by the Department. These recommendations will help inform the design and content of the new website. Additionally, the web tool also displays current individual and group rates, through September 2012.
- An internal Rate Review Procedures Manual explaining the rate review process has been finalized and posted on the Department's internal webpage.

C. Translation Services

The Department made the decision to coordinate essentially all translation activities with the work project being conducted under the Consumer Assistance Program grant. As part of that work, which includes a comprehensive analysis of the effectiveness of the Department's existing communication with consumers and development of a plan for improving communication, the Department intends to translate web-based databases, documents, reports and charts into Spanish, Polish and Korean, including all rate review-related information. The Department estimates the cost of these services to be \$35,835. These efforts will be undertaken when the updates to the new website, discussed above, are finalized.

These efforts will be undertaken shortly as soon as the updates discussed above are finalized. The Brochure explaining the rate review process will be translated shortly into Spanish, Polish and Korean. The funding for this activity will be provided through Cycle II grant funds.

D. Training on Rate Review for Consumer Assistance Personnel

The Department had 12 staff employees attend NAIC SERFF training on July 17 and 18, 2012. The training covered all aspects of SERFF, including form and rate filings. The NAIC instructors were very knowledgeable and provided a well organized session. The training covered all aspects of SERFF and the process for reviewing a filing to submitting objection letters, and the review of objection letters. They demonstrated the search capabilities in SERFF and ways to get SERFF statuses to make SERFF easier to use. The instructors were able to provide a more in-depth SERFF training, and answer specific questions from the attendees. Feedback

collected from the attendees at the training session will be used to tailor future educational opportunities. The cost of this training was \$1,424.23.

Operations/Policy Developments/Issues

Delays in adding new staff due to State hiring requirements continued throughout the Cycle I grant period. While the State indicated its intention to fill the Health Actuary and Health Actuary Assistant positions by July 1, 2011, the Department was unable to fill these positions. In the meantime, the Department retained the services of actuarial consultants in the interim. In response to the extended postponement of the start dates for employees integral to the new rate review process, the Department applied for, and was awarded, a No-Cost Extension to allow it to fund positions and carry out rate review activities under the Cycle I Grant through September 2012. However, the Department was successful in bringing an IT consultant on staff to assist the Department in upgrading and maintaining the internal portal (as discussed above). In addition, with the use of Cycle I grant funds, the Department was able to hire three full-time insurance analysts (contractual) to assist with data collection for the rate review program. Also, the Department contracted with an outside actuarial firm (Oliver Wyman) to review premium information, assist with the initial evaluation of all rate filings received from carriers, including an initial evaluation of the reasonableness of a proposed rate increase.

The Department intends to retain the three contractual insurance analysts through FFY 2014 using Cycle II funds. The Department has recently been successful in moving forward with the process of hiring one Health Actuary II and a Health Actuarial Assistant. The Department has also moved forward to hire IT consultant staff to assist the current IT staff and actuarial consulting firm in designing and building rate review software and convert to web-based system for consumer use.

The Department will also retain the actuarial consulting firm until the Health Actuaries can be brought on staff. The contract with the outside actuarial firm has been extended until February 2013 and will be further extended until February 2014.

While the Department has made significant progress to establish an IT infrastructure and process for premium rate review in Illinois, the Department intends to utilize Cycle II grant funding to refine this infrastructure to further enhance the Department's ability to collect information, analyze this information, make a "reasonableness" determination, and provide transparency in the process and results to the public. On a dual track, the newly appointed Deputy Director of IT within the Department is designing a new structure for permanent IT staffing to provide support to the premium rate review program. Specifically, this includes three new IT employees dedicated to portal and network support. The Department continues its efforts to hire these personnel, including the development of job descriptions. This aspect of the project is crucial to ensure the portal can be maintained and updated over time. The new enhancements proposed for the premium rate review portal include:

Data Entry. The portal currently permits carriers to submit information through some drop down menus, but primarily it leverages text boxes. In an effort to ensure the database is easily queryable for individual product information as well as marketplace-wide assessments, the portal data entry requirements need to be amended. In anticipation of additional data collection requirements, the Department is considering expanding the ability of the portal to collect information related to premium review, and required to be collected from carriers

beginning in 2014 pursuant to Section 1311(e)(3), as well as other mandatory mechanisms, such as risk- adjustment. Any activity that falls outside the realm of rate review will be cost-allocated as required by federal guidelines.

Real-time Updates to Rate Increase Information. The Department is currently working to implement an automatic reporting system which will instantly update the interactive web tool currently on the Department's website, allowing consumers to have immediate access to the most up-to-date individual market information, and relieving the actuarial team from what is currently a very time-consuming and arduous task.

Group Market Rate Increases. Similar to the tool currently in place for individual market premiums, the Department wishes to create an interactive web tool for consumers to access and search information on group market products.

Marketplace Analysis. The Department seeks to establish a tool or macro within the portal database to conduct automated analyses of the premium rate data to identify trends in the marketplace. Some trends the Department is interested in understanding on a regular basis include: pricing in each of the respective markets (individual, small group, large group), pricing by policy type, the number of individuals affected by specific premium rate increases, seasonal changes or trends in premium rates, and others as determined by the Director.

Public Access Activities

The Department received a Consumer Assistance Program Grant under the Affordable Care Act and is coordinating website efforts related to both grants so as to avoid duplication. Through the Consumer Assistance Grant, the Department hired a Consumer Information Officer to develop and maintain a new website. The Department also engaged the assistance of a vendor to assess the current consumer outreach efforts by the Department, as well as the development of a consumer satisfaction survey that can be submitted online. In addition, the Department developed a new rate filing webpage to display rate information to consumers on its website, provide consumers with the opportunity to comment on rate filings, and educate consumers by designing an educational Rate Review Webinar; a graphic and easy-to-understand description of how the rate review process works in Illinois; and a frequently asked questions and answers document. In addition, hand-out brochures, describing the rate review process in Illinois have been completed and are in the process of being printed and then distributed. These will be included in the Department's outreach activities in order to educate and inform consumers, who may not have access to computers or the internet, about the rate review process. They will also be translated into Spanish, Polish and Korean. Funding will be provided through Cycle II grant funds.

In light of the new consumer protections under the Affordable Care Act that recently went into effect, such as preliminary justification of rate hikes exceeding the 10% threshold, the Department has identified a need to increase awareness and better educate consumers on how these technical processes affect them as well as their insurance carriers. The Department intends to engage consumers and consumer advocacy groups in identifying the types of information they would find most useful about health insurance rate increases, as well as the most effective methods of disseminating the information. The Department continues to arrange more outreach events for consumers and join consumer advocacy groups on conference calls/panel discussions

to achieve this goal. During the grant period, the Department held many different speaking engagements and four health fairs. Included in the discussions at these events, the Department provided information about rate review activities to chambers of commerce, military families and veterans, healthcare advocates, non-for-profit groups, medical professions, medical and law students, employee benefits professionals, religious organizations, agents and underwriters groups and other business alliance groups.

Recommendations to the State Exchange on Insurer Participation

The Department will make recommendations to the Illinois Exchange regarding carrier participation in the Exchange. Given the States' role in conducting premium rate review, federal law requires the Department to make recommendations to the Exchange about whether particular health insurers should be excluded from participation in the Exchange based on a pattern or practice of excessive or unjustified rate increases. Rates will be submitted through SERFF. The current rate review process will continue to be followed for all rate changes. The Department will continue to collect rate filings and actuarial memorandums electronically through its rate review web portal. The Department will evaluate the medical and insurance trend assumptions, anticipated loss ratio, anticipated distribution of business, contingency and risk margins, past and anticipated premium and claim experience, the history of rate adjustments, and other important data points submitted through the web portal as required by the Department. The Department will notify the Exchange of the rate review results.

Additionally, the rate review process will be updated to take into consideration new payments and charges to plans, including risk adjustment, reinsurance, risk corridors, the coverage of new populations and benefits, new underwriting limitations, MLR rebates, new federal taxes, and new risk pooling in non-grandfathered plans. Additionally, the Department will verify that the same premium rate is offered inside and outside the Exchange for plans. The rate review processes will be applied consistently for multi-state plans and CO-OPs to maintain a level playing field.

Collaborative Efforts

The Department has collaborated with NAIC to develop modifications to the SERFF system. The Department has discussed SERFF upgrades as well as the potential use of the Health Filing Access Interface function. The Department also participated in the commenting process on the proposed HHS regulations.

Lessons Learned

The Department has experienced extensive delays in adding the staff necessary to conduct premium review activities. The Department has adjusted its expectations for the addition of new staff moving forward, including the retention of the actuarial consulting firm, and was granted Cycle II funding and a No Cost Extension to Cycle I funding, to accommodate the delays in project activities associated with those experienced in the hiring process.

Premium Review Project Budget Narrative

(Updated December 31, 2012)

Overall Budget

The Illinois Department of Insurance (DOI) budget for FY2012 totals \$45,938,500. Projected annual revenue collected in FY11 is \$411,791,848 (this amount includes the taxes collected and transferred to the General Revenue Fund).

Current rate review budget for Illinois' FY 2011

The current expenditures on premium rate review under the Cycle I grant are \$450,110.32. These expenditures include: Fringe Benefits of \$13,120.56; Consulting Costs of \$245,078.60; Payroll Costs of \$171,511.93 for four employees (two Insurance Analysts, one Clerk/Office Coordinator and one Research Assistant); SERFF Updates of \$18,808.00; SERFF Training of \$1,424.23; and Advertising for job positions of \$167.00. (Please see attached spreadsheet for more detail).

Estimated Budget for Premium Review Cycle I

To enhance the current rate review process and to improve consumer protection standards, the Department estimated a total cost of \$1,000,000. An itemization of the costs is below.

Personnel

The Department's original submitted proposal requested 1 health actuary, 3 actuarial assistants, 2 insurance analysts, 1 clerk/office coordinator, and contractual actuaries. The Department brought on 1 actuarial assistant (contractual), 2 insurance analysts (contractual), and 1 research assistant (contractual). The Department had determined that the unforeseen delay in the hiring of the two Health Actuary II positions and the Actuarial Assistant position allowed additional funds to be reallocated to contractual services, specifically actuarial consulting services. Total estimated cost for salaries was \$374,792.00. The actual amount expended was \$171,511.93.

Research Assistant: As the research assistant based within the Illinois Department of Insurance, Max Fletcher supports the Rate Review Program. As such, he is dedicated 4% of his time to Rate Review grant activities. Mr. Fletcher's responsibilities include conducting research, including best practices in other states, assists in the drafting of all Rate Review reports (including federal reports), and currently assists with financial management of all grant funds. Mr. Fletcher allocates his time between Exchange planning activities and Rate Review. In order to correctly identify which grant his salary should be drawn from, Mr. Fletcher uses times sheets that clearly separate Exchange activities from Rate Review activities.

Fringe Benefits

The cost of fringe benefits, including group insurance, social security, and retirement for the additional staff was \$13,120.56. In its previous budget submission, the Department had allocated \$108,777.37 for fringe benefits. The decrease in this numbers is primarily due to the fact that there was an untimely delay in the hiring of previously mentioned positions. These funds were reallocated to actuarial consulting services.

Travel

Travel expenses were not expended during the Cycle I grant period. The Department had allocated \$3000 for the cost of travel, including mileage (408 miles roundtrip at the federal rate of 51 cents per mile, or \$208), hotel (\$70/night plus taxes), and Per Diem (\$27 per full day). This would have covered the cost of one staff traveling 1-2 times per month to Springfield during the General Assembly's spring session, as well as the cost of travel to outreach events organized for consumers.

Equipment

The Department anticipated an average cost of \$533.27 per employee for equipment for the year, and would have included computers, printers, calculators, staplers, and other similar equipment. While the State originally anticipated a cost of \$3,199.63 in this category, the State was able to take advantage of existing resources to a greater extent than previously believed, and no funding was expended using Cycle I funds for this purpose.

Contractual Services

New Employee Contractual Services

The Department estimated an average cost of \$1000 per employee for various contractual services for the year, for a total of \$6000. These contractual services are a standard cost built into the cost of hiring new employees, and include services ranging from renting offsite storage for servers, to repairs and maintenance of IT and other electronic equipment. The Department was able to leverage existing resources to fulfill these needs, and therefore did not have to use grant funding.

IT Services

Illinois intends to develop a new analytic data system to report rate increases to consumers. Improvement to the current IT infrastructure requires funding for a Level II IT consultant to design and build rate review software and convert to web-based system for consumer use.

IT development would consist of one 8.5-month contract for web development. The contract requires the expertise of a Level II IT consultant. The Level II IT consultant spends 50% of his time on rate review and 50% of his time on the Consumer Assistance Program. The average rate of a Level II IT consultant is currently \$99 per hour. At a cost of \$99 per hour for an estimated

1333.34 hours, The Department estimated that the cost for this contract would be \$132,000, of which \$66,000 (for 666.67 hours) would be paid with Cycle I funding and \$66,000 (for 666.67 hours) would be funded by the Consumer Assistance Program grant. The actual amount expended through Cycle I funds was \$25,518.35.

Actuarial Services

Illinois contracted with an actuarial firm to assist the Department in analyzing premium rate increases over 10 percent, and assisting the Department in filling any gaps in this new process. At a cost of \$312 per hour for an estimated 1778.2 hours of work (12 months), the Department estimated this activity would cost \$554,800 for one twelve-month contract. The actual amount rendered in actuarial services for the outside consultants, through Cycle I funding, was \$177,855.00. The Department intends to retain the services of this actuarial firm and the contract will be renewed until February 2014 using Cycle II funds.

“Other” Category Spending

IT Upgrades

The Department upgraded the current SERFF system at a cost of \$18,808. The cost covered the expenses associated with modifying SERFF to address data collection and reporting requirements, such as:

- State options to indicate premium review grant participation;

- Company profile changes to incorporate company type;

- State-maintained indicator for rate filing requests meeting the HHS threshold for “unreasonable”;

- Addition of field to indicate product types;

- Company-maintained product information including product name, HHS id, and product status that will allow the companies to track products and apply them to filings;

- A new set of fields added to the Rate/Rule schedule items to provide HIP data on a policy form basis;

- Changes to the State API to accommodate retrieval of the data elements added above and to allow for updates of appropriate data elements via the State API.

Training on Rate Review for Consumer Assistance Personnel

The Department had 12 staff employees attend NAIC SERFF training on July 17 and 18, 2012. The estimated budget for this training was \$1,914. The actual amount expended was \$1,424.23. The training covered all aspects of SERFF, including form and rate filings. The NAIC instructors were very knowledgeable and provided a well organized session. The training

covered all aspects of SERFF and the process for reviewing a filing to submitting objection letters, and the review of objection letters. They demonstrated the search capabilities in SERFF and ways to set SERFF statuses to make SERFF easier to use. The instructors were able to provide a more in-depth SERFF training and answer specific questions from the attendees.

Feedback collected from the attendees at the training session will be used to tailor future educational opportunities.

Consumer Education and Outreach

The Department continues to educate the public and policymakers regarding health insurance premiums, health care costs, utilization and benefit design.

In light of the new consumer protections under the Affordable Care Act that recently went into effect, the Department identified a need to increase awareness and better educate consumers on how these technical processes affect them as well as their insurance carriers. The Department developed new consumer friendly content for the new Rate Review Website. In addition, the Department identified a greater need to engage consumers and consumer advocacy groups in identifying types of information they would find most useful about health insurance rate increases, as well as the most effective methods of disseminating the information. The Department intends to arrange more outreach events for consumers and join consumer advocacy groups on conference calls/panel discussions for this purpose.

While many educational materials were produced during this period, they were awaiting senior staff approval, and funding for these activities was not expended from Cycle I funds, but will be expended through Cycle II funding.

Translation Services

In an effort to provide appropriate services to all Illinois consumers, the Department will translate web-based databases, documents, reports and charts to Spanish, Polish and Korean. The estimated costs for these services, using Cycle I funding, was \$11,945.00. Translation services were not started during the grant period and no Cycle I funds were expended. These services will begin shortly, using Cycle II funding.

Premium Rate Review Cycle I Project Work Plan and Timetable

The goals of the Premium Rate Review Project are to:

- Expand the scope of current review processes and improve rate filing requirements.
- Enhance consumer protection standards.

The Department has categorized Rate Review Cycle I implementation milestones into four broad objective areas:

1) Collection of Premium Rate Data

A) Data Collection Goals and Metrics

- Identify the data necessary to adequately understand the insurance market, trends, etc.
- Define what exactly that data means so it is clear for insurers (i.e. actuarial value)
- Develop metric for success in collecting data (% of companies' successfully reporting data, how much data they are reporting, in what markets and among which products)
- Ongoing redefinition of what data is necessary and how it should be defined

B) Announcement of New Rate Reporting Requirements

C) Technical Capacity for Data Collection

- Evaluate the current data collection and system capabilities
- Plan what additional data should be collected to achieve all of the goals of rate review
- Develop and publish an RFP for the services/contract under existing master contract
- Test a beta version of the data system
- Deploy the system
- Update system as necessary

D) Staffing Capacity for Data Analysis

- Launch the hiring process for the new insurance analysts
- Interview for the positions
- Complete the administrative process
- New hires start date

E) Actual Collection of Data

- Announce new mandatory/voluntary data reporting to carriers

- Begin collecting data
- Measure data collection success
- Launch any revised data collection directions/mandates

2) Analysis of Premium Rate Data

A) Identify Analytical Goals

- Develop a draft list of trends that are key to understand
- Finalize list of trends
- Determine the associated data necessary to calculate the trend
- Add these into the technical components necessary for the program
- Review and update as necessary

B) Technical Capacity for Data Analysis

- Evaluate current capacity to analyze data
- Determine exactly what functionality is necessary to achieve the goals of rate review
- Develop and publish an RFP for the services/contract under existing master contract
- Test a beta version of the data system
- Deploy the system
- Update system as necessary

C) Staffing Capacity for Data Analysis

- Launch the hiring process for the new actuaries
- Interview for the positions
- Complete the administrative process
- New hires start date

D) Establish Premium Review Process

- Determine what “unreasonable” means in Illinois (may depend on HHS rule)
- Establish the technical formula for measuring “unreasonable”
- Establish a timeframe for reviewing rates once they are submitted
- Consider a process for appeal of the Department’s decision (by carriers and/or consumers)
- Formally announce this process to carriers and the public
- Begin conducting premium review
- Report the findings publically

3) Authority to Conduct Comprehensive Premium Rate Review

A) Obtain Authority to Approve or Deny Premium Rate Increases

- Formulate a plan to obtain authority to review, negotiate, accept, or deny premium rates
- Successfully obtain the authority
- Implement rulemaking associated with the authority, as necessary

4) Public Engagement and Education

A) Public Hearings

- Assign appropriate staff for organizing the public hearings
- Determine the dates and locations for public hearings, and book the sites
- Determine the topics for discussion of each public hearing
- Determine who (if anyone) will be presenting/testifying
- Draft an agenda and necessary documents (and translate them)
- Coordinate with other important State staff (Governor's office, etc.)
- Develop a plan to publicize the hearings (website, newspaper ads, email invites)
- Develop a plan to tape (audio/video) the hearings and obtain necessary equipment
- Conduct public hearing
- Post information on the hearing on the Department's website

B) Interactive Website

- Determine the desired content and functionality of the website
- Information on insurers that can be public (micro data)
- Rate and trend comparison (macro analysis)
- Consumer survey that can be submitted
- Develop and publish an RFP for the services/contract under existing master contract
- Engage translation services
- Test a beta version of the website
- Deploy the website
- Update the website as necessary

C) Translation Services

- Identify all Department web pages and materials that will be translated for the public
- Contract through the master contract to have the work completed
- Post the newly translated materials on the Department website
- Distribute new materials at appropriate outreach events

D) Training on Rate Review for Consumer Assistance Personnel

- Develop new training materials
- Provide training sessions for consumer assistance personnel
- Evaluate the effectiveness of training sessions and materials
- Update training materials for future training sessions

Milestones/Deliverables and Timeline

The goals and objectives of the Rate Review Cycle I Project were accomplished according to the following timeline:

Activity	Goal/Objective
First Quarter (August 2010 – December 2010)	
Begin the formal hiring process, staff training, and planning necessary to effectively execute each of the activities planned in the grant.	
August - September 2010	
The Department will work closely with NAIC to modify SERFF to address data collection and reporting requirements in Section A.1(c)(2) of the grant application	The Department determined SERFF was insufficient toward achieving our goals in the rate review process. Department determined we would begin process for an internal database for data collection.
October – November 2010	
Begin the process of hiring new staff dedicated to the Rate Review Program. Illinois has a structured interview process that includes bargaining contracts, executive orders and court mandates. The hiring process may take 12 weeks or longer.	July 18, 2011 Emily Edmonds, Drew Patton and Sandy Armitage were hired under the Rate Grant.
Submit an RFP for an IT consultant dedicated to health reform and procuring additional actuarial consulting services.	IT consultant was hired for a short time but did not meet the needs of the Department and was let go on 6/1/2011. RFP started for actuarial services and actuarial consulting firm started June 21, 2011.
Work with industry, consumer, and community-based organizations to identify partners for the engagement and education of the public and policymakers.	The Consumer Information Officer began working on August 8, 2011 under the CAPP Grant. This individual provided guidance for this goal.
Work with new IT consultant to begin crafting a plan to transition the Department's existing IT infrastructure to meet the needs of improved rate review activities and consumer engagement tools.	New IT Level II Consultant began working in January 2012. He is on an 8 ½ month contract and spends 50% of his time on rate review projects.
Establish a reporting protocol for major medical insurance products.	Department worked with IT staff and actuarial staff to determine correct data needed and best method to collect rate data in November and December of 2010.
Provide written notification to insurers of the Department's rate increase reporting protocol.	Department issued two company bulletins 2010-08 and 2011-02 outlining the requirements for reporting.
December 2010	
As soon as practicable, insurers in every market will begin reporting rate information electronically through SERFF and the IT infrastructure developed for this purpose.	December 1, 2010 all major medical carriers were required to file rate increases, decreases and modifications with the Department.

The Department will begin building an enhanced IT infrastructure to report findings to consumers.	Discussion took place with IT staff and Consumer staff to determine what would need to be included on our website for consumer access.
Second Quarter (January 2011 – March 2011)	
This quarter will be dedicated to public hearings on rate increases, developing/testing/training staff on the new technological infrastructure necessary, and educating insurers about the IT reporting process.	
January 2011	
Engage and educate the public and policymakers regarding the need for extensive rate review authority, through mechanisms such as educational webinars and other outreach to coordinate with stakeholders on expanding rate review authority for the Department.	The Department drafted legislation (HB 1501) to obtain the authority to approve and deny rate increases. The bill was introduced February 10, 2011. The Department worked with consumer advocates, legislators and other stakeholders to educate them on the need for additional authority. The General Assembly adjourned May 31st without taking action.
Continue to evaluate and analyze data received in the rate review process.	The Department continues to use actuarial staff in the review of rate filings sent to the Department.
February – April 2011	
Launch the new reporting system for rate filings and notify carriers of the new requirements.	February 1, 2011 the Department began the collection of data for rate review in our Illinois Rate Review Web Portal. All carriers were notified of this action via an email.
Review proposals submitted for actuarial consulting services, select a vendor, and execute a contract with the vendor to perform those services.	Vendor was selected and began work June 21, 2011.
Third Quarter (April – June 2011)	
This quarter will be dedicated to evaluating implementation and actual information reported due to the new reporting requirements, more in-depth review of rates, reporting on rates, and communication with key stakeholders during the second half of the legislative session.	
April – May 2011	
Work with legislators and stakeholders to develop a plan for public hearings on proposed rate increases.	Discussions took place but the current environment did not make the public hearings feasible at the time.
May 2011	
Contract with vendor (Oliver Wyman) to provide actuarial consulting services related to the rate	Completed June 21, 2011

review process.	
Commence training on updates to SERFF reporting systems and related API web services, while new technical staff continues to represent the needs of the Department as it relates to SERFF and related API services with NAIC.	SERFF continues to provide guidance on updates to SERFF by an online newsletter and webinars. Staff has participated in trainings.
SERFF staff and internal IT consultant will train relevant staff on new rate filing technology. Make new information public and post prominently on the Department's website.	This has been completed and continues to be an ongoing objective of the grant.
May – June 2011	
Commence public campaign to inform individuals and businesses about the information and trends apparent in the rate filing data. This may include only preliminary information, rate trends, and relevant information related to MLR submitted to the State, NAIC, and HHS.	The Department continues to update our website and provide consumer information on the rate review process.
Meet with Oliver Wyman to establish a detailed process for the evaluation of rate filings.	Completed. Oliver Wyman issues a weekly status update on rate filings.
Fourth Quarter (July 2011 – September 2011) *Note that the Department has applied for and received a No Cost Extension of the Cycle I grant funding through September 2012.	
Insurance analysts and Consumer Information Officer begin work.	Completed.
Fifth Quarter (October 2011 – December 2011)	
October – November 2011	
Establish a consumer comment function on the Department's website to allow for comments on rate filings.	This task has been accomplished, as of November 2011, as an email action from the web page.
Using the CAPP grant, IT staff to launch a beta version consumer interface for the rate review website and associated tools with simulated information for feedback and refinement.	This has not been completed but we are in the process of working with an IT consultant to begin the process.
Using the CAPP grant, execute a contract with a vendor to help inform the content and form of the new website.	See comments directly above.
Develop new consumer friendly content for the new rate review website, including a new rate review process webinar.	The Department has recently updated the Premium Rate Review Webpage and the Medical Loss Ratios Webpage, using Cycle II funding. A rate review step by step outline for consumers; Two new Rate Review Webinars for the Individual and Group Market; Rate Review Q&A's; Rate Review Brochure; and Medical Loss Ratio Fact Sheets for the Individual and Group Markets have all been added to the web pages. In addition, a Rate

	Review Procedures Manual has been posted on the Department's Internal Webpage. Funding for this task comes from Cycle II funds.
February 2012	
Make reports generated for rate increases, greater than 10%, that are deemed unreasonable, publicly available.	The Departments currently lists rate increases on our website. Any rate increase above 10% is also listed on the HealthCare.gov website along with the justification process. The Department provides a link for consumers to review the rate increases filing and justification at the HealthCare.gov web page.
Develop training materials for customer assistance personnel who respond to consumer inquiries and complaints about premium rate increases.	The Department had 12 staff employees attend NAIC SERFF training on July 17 and 18, 2012. The training covered all aspects of SERFF, including form and rate filings. The NAIC instructors were very knowledgeable and provided a well organized session. Feedback collected from the attendees at the training session will be used to tailor future educational opportunities.
March 2012	
Hold training sessions for internal customer service and complaints division staff on rate review activities.	See comments directly above.
Solicit feedback on training materials from internal staff and refine materials, if necessary.	See comments directly above.
Hold public hearings to gain more support for rate review authority legislation	Will discuss completing at a future date
Partner with customer advocacy groups to engage and educate consumers on the rate review program.	
Distribute fact sheets, brochures, etc. at various locations such as libraries, doctor's offices, government agencies, etc.	The Brochures are in the process of being printed. Department staff is currently discussing the best possible distribution method.
Compile and publish analyses regarding rate increases, health care costs, health care utilization and benefit design.	
Continue to make improvements to the Illinois Web Portal.	Improvements have been made and will continue to be made on an ongoing basis. On March 7, 2010 the web portal was updated and version 2.0 was released to carriers.
Complete efforts to hire an Actuarial Assistant.	See comments directly below
Continue efforts to hire 2 health actuaries. The	Despite continued delays, the Department

<p>Department will retain the services of Oliver Wyman until the hiring process is complete.</p>	<p>has recently been successful in moving forward with the process of hiring one Health Actuary II and a Health Actuarial Assistant. In addition, progress has been made in hiring IT consultant staff to assist the current IT staff and actuarial consulting firm in designing and building rate review software and convert to web-based system for consumer use. These positions will be funded through Cycle II grant funds.</p>
<p>Translation Services: The Department will translate web-based databases, documents, reports and charts to Spanish, Polish and Korean.</p>	<p>In Progress - The Brochure explaining the rate review process is currently being printed and will be translated into Spanish, Polish and Korean. It will also be posted on the Department's website in these languages.</p>

Updated Evaluation Plan

- The Department will gauge the success of its rate review program based on the average time it takes for the Department to review rates and issue a determination.
 - With actuarial consultants assisting with filings, this review is estimated to be completed within 30 days once all information is received.
 - After the contract with the consultants expires, the Department intends to maintain this average review time. The Department intends to hire an additional Health Actuary. The Department has made progress on the hiring process and is considering three applicants. Unfortunately, due to a very recent hiring freeze, this task is on hold again. The Department will be retaining the services of its actuarial consulting firm until February 2014.
 - The Department will know how many consumers it reaches by:
 - The number of “hits” to the website;
 - The number of consumer comments; and
 - The number of policyholders impacted by a proposed rate change.
 - The Department intends to develop internal metrics to track the rate filing within the Department to ensure efficiency. This will take place when the Health Actuary can be brought on staff.
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Final Illinois Premium Rate Review Cycle I Grant Budget and Expense Report

Category	Allocated Funds	Spent Funds	Remaining Funds		
Salaries and Wages	\$ 374,792.00	\$ 171,511.93	\$ 203,280.07		
Fringe Benefits	\$ 108,777.37	\$ 13,120.56	\$ 95,656.81		
Travel	\$ 3,000.00	-	\$ 3,000.00		
Equipment	\$ 3,199.63	-	\$ 3,199.63		
Contractual	\$ 476,978.00	\$ 245,078.60	\$ 231,899.40		
IBM/used		\$ 41,705.25			
Wyman/used		\$ 177,855.00			
LRS (Ray Denoyer)		\$ 25,518.35			
Other	\$ 33,253.00	\$ 20,399.23	\$ 12,853.77		
NAIC (SERFF Upgrade)		\$ 18,808.00			
SERFF Training		\$ 1,424.23			
Advertising		\$ 167.00			
		-			
	Original Grant	Total Spent	Total Remaining	Cash on Hand	Total Grant Funds Not Drawn Down
	\$ 1,000,000.00	\$ 450,110.32	\$ 549,889.68	\$ 562.32	\$ 549,327.36