

## **PART I**

### **Introduction**

The Illinois Department of Insurance (“the Department”) continues its efforts to strengthen the process for reviewing health insurance premium increases and improve the transparency of rate increase information so that consumers can easily find, understand and comment on proposed rate hikes. Substantial progress has been made by the Department in implementing the rate review enhancements proposed in its application for the Health Insurance Premium Review Cycle I Grant (“the Grant”) during the sixth quarter of the Grant period. The Department is utilizing the Grant 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; and seeking legislative authority to modify or deny requests for unreasonable premium rates or rate increases. 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.

Among the many important milestones achieved during the sixth quarter was the revision to the internal rate portal. In addition, the contract for actuarial services with an actuarial consulting firm, executed in the fourth quarter was renewed for another year.

Finally, 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.

### **Program Implementation Status**

#### **Accomplishments to Date**

The Department has 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 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 filings. Below is a list of the implementation milestones achieved in each area during the sixth quarter. 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*

- Insurance Analyst positions continued;
- Continued to collect rate filings through the Illinois Web Portal, developed and launched during previous quarters; and
- Participated in NAIC/SERFF conference calls regarding potential system upgrades to accommodate state data collection needs, and considered opportunities to leverage new capabilities.

*Objective: Effectively Analyze Premium Data*

- Continued to compile and collect necessary data;
- Utilized the process for reviewing rate filings, developed and implemented with an actuarial consulting firm in the previous quarter; and
- Retained the actuarial consulting firm while the Department continues to seek qualified applicants for Health Actuary positions.

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

- Continued to refine an internal process for reviewing rates, as required by the HHS final rule and ACA provisions related to unreasonable premium increases; and
- Convened internal meetings to consider options to continue pursuing statutory authority.

*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.

**Challenges and Responses**

Delays in adding new staff due to State hiring requirements continued in the sixth quarter. While the State indicated in the second quarter report its intention to fill the Health Actuary and Health Actuary Assistant positions by July 2011, the Department was unable to fill these positions. The Department is actively seeking to fill these positions, and has 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 a No-Cost Extension to allow it to fund positions and carry out rate review activities under the Cycle I

Grant through September 2012. The project's extended timeframe is reflected in the Work Plan section of this report.

An additional challenge the Department continues to encounter is the lack of explicit statutory authority to approve or deny premium rate filings. Legislation that would have provided the Department with the ability to deny proposed rates which are unreasonable, excessive, inadequate, unjustified or unfairly discriminatory (HB 1501) unfortunately did not move out of committee before the General Assembly adjourned its spring 2011 session. The Department will continue to work with the Government's office and state legislators to pursue statutory authority in future sessions.

### **Significant Activities: Undertaken and Planned**

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. Milestones implemented or initiated during the fourth and fifth quarters are divided by subcategory and described below.

#### *1. Collection of Premium Rate Data*

##### *A. Technical Capacity for Data Collection*

In the first and second quarters, 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. However, the Department hopes to work with SERFF and NAIC to modify SERFF in order to meet the needs of its rate review program and allow carriers to submit rate information in a single filing. In pursuit of such changes, the Department has participated in discussions with SERFF officials to discuss implementation of SERFF upgrades and implementation of the Health Filing Access Interface.

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

- On March 7, 2012 the Department released Web Portal 2.0 Changes to carriers. The Department 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 being entered manually. 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, the Department 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 Department and insurer comments.

#### *B. Staffing Capacity for Data Collection*

On July 18, 2011, the Insurance Analysts joined the Department. In addition, a Consumer Information Officer, funded by the Consumer Assistance Program Grant, began working with the Department on August 16, 2011.

#### *C. Collection of Data*

Pursuant to Company Bulletins 2010-08 and 2011-02 (See Appendix B), the Department has received 27 rate filings in the sixth quarter, and of those, 13 requested rate increases and were subject to review. Of these 13 filings, 11 are pending review, and 2 were filed.

### *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*

After issuing an RFP for actuarial services in the first quarter and selecting consultants to execute that contract in the second quarter, the Department finished all negotiations early in the third quarter and launched the project on June 21, 2011. The Department continues to work with the actuarial consulting firm to implement and fine-tune a process 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*

While the Department indicated in its second quarter report the hope that the

Health Actuaries sought through Grant funding would begin work in July 2011, the hiring process experienced further delays in the sixth quarter. As detailed above in the “Challenges and Responses” section, the Department plans on continuing efforts to find qualified applicants for these positions. In the interim, the contract for actuarial services has been extended for an additional year until internal staff can be hired. The goal is that the Health Actuaries and Actuarial Assistant, when hired, will (1) review premium information, (2) assist with the initial evaluation of all rate filings received from carriers, including an initial evaluation of the reasonableness of a proposed rate increase, as well as (3) assist the Department in a macro-analysis of Illinois’ private health insurance marketplace to identify trends in premium rate increases and the impact of such increases. The Department intends to retain the actuarial consulting firm until the Health Actuaries can be brought on staff.

#### D. Conduct Analysis

The Department received 27 filings in the sixth quarter, 13 of which requested rate increases and 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 consultants then review the rate increase to determine if it exceeds the 10 percent threshold for further review. If the increase exceeds 10 percent, the consultants conduct an 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.

### 3. *Obtain Authority and 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. Unfortunately, on May 31<sup>st</sup>, the General Assembly adjourned before action was taken on HB 1501. The Department will continue to work with the Governor’s office and state legislators to pursue statutory authority to approve and deny rate increases in future sessions.

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. *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. In addition, the Department has reviewed, and is ready to post on its website, a new and educational Rate Review Webinar, named: “A Guide to Rate Review”, a graphic and easy-to-understand description of how the rate review process works in Illinois, and a frequently asked questions and answers document - all designed to educate consumers and increase the Department’s transparency and outreach efforts. Also during the sixth quarter, the Department continued the development of its new rate filing webpage that includes an interactive web tool to display current rates. This new webpage allows consumers to see rate filings from 2005-2011 and provide comments to the Department on these filings. In addition, during the fifth and sixth quarter, utilizing funding from the Consumer Assistance Program grant, 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.

##### B. *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. These efforts will be undertaken when the updates to the new website, discussed above, are finalized. The funding allocated as part of this grant will supplement those efforts.

#### **Operational/Policy Developments/Issues**

The Department conducted several meetings during the sixth quarter, both internally as well as in conjunction with representatives from the Department’s actuarial consultants, to refine its process for reviewing rates. Insurance Analysts work to organize information from the Illinois Web Portal and SERFF and check for its completeness. The consultants are then responsible for conducting a review for completeness, information sufficient for actuarial review, comments

regarding any rate increases, and all other information at the level of detail required by HHS. The consultants review the rate increase to determine if it exceeds the 10 percent threshold for further review. If the increase is below 10 percent, the Department's actuary will conduct the review. If the increase exceeds 10 percent, the consultants conduct an in-depth review consistent with the standards required by HHS and issue a report to the Department's actuary as to whether the rate increase is reasonable. The Department's Actuary will then review the report and make a final determination. The Department's final determination and explanation of its analysis will be provided to CMS within five business days of the determination.

### **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 - all of which have been reviewed and will be published shortly. In addition, hand-out brochures, describing the rate review process in Illinois, are in the final stages of review. 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.

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 sixth quarter, the Department held several outreach events. At these events, the Department provided information about rate review activities.

### **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**

As mentioned in each of its previous quarterly reports, the Department has experienced extensive delays in adding the staff necessary to conduct premium review activities. The Department is adjusting its expectations for the addition of new staff moving forward, and has extended the contract with the actuarial consultants for another year, to accommodate the delays in project activities associated with those experienced in the hiring process.



## Premium Review Project Budget Narrative

(Updated April 30, 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 \$180,399.67. These expenditures include: Fringe Benefits of \$5,129.79; Consulting Costs of \$89,405.25; SERFF Updates of \$18,808.00 and Payroll Costs of \$67,056.63 for four employees (two Insurance Analysts, one Clerk/Office Coordinator and one Research Assistant) (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 estimates 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 now submits a proposal requiring 6 staff members which includes 2 health Actuaries (permanent staff), 1 actuarial assistant (contractual), 2 insurance analysts (contractual), 1 clerk/office coordinator (contractual), *and 1 research assistant (contractual)*. The Department has determined that the unforeseen delay in the hiring of the two Health Actuary II and the Actuarial Assistant positions has allowed additional funds to be reallocated to contractual services, specifically actuarial consulting services. Total estimated cost for salaries is \$254,310.00. Attached is an itemization of personnel and fringe benefit costs in a modified position estimator spreadsheet.

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 is \$52,715.00. 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 has been an untimely delay in the hiring of previously mentioned positions. These funds have been reallocated to actuarial consulting services.

### Travel

Though new staff will not travel, existing staff will travel under the grant to perform activities related to advancing legislation, and coordinating with Springfield staff and other stakeholders across the state. Colleen Burns, Special Counsel for Health Policy, will be traveling to Springfield during the legislative session to advocate for the Department's legislation to establish rate review authority. The Department has allocated \$3269 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 will cover 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

For the two new permanent employees and four additional contracted staff funded entirely by this grant, the Department anticipates an average cost of \$533.27 per employee for equipment for the year. This comes to a total of \$3199.63, and includes computers, printers, calculators, staplers, and other similar equipment. While the State's original grant application anticipated a cost of \$6,000 in this category, the State has been able to take advantage of existing resources to a greater extent than previously believed.

## **Contractual Services**

### New Employee Contractual Services

For the two new permanent employees and four additional contracted staff funded by this grant, the Department estimates 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.

### 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 will require the expertise of a Level II IT consultant. The Level II IT consultant will spend 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 estimates that the cost for this contract will be \$132,000, of

which \$66,000 (for 666.67 hours) will be paid with Cycle I funding and \$66,000 (for 666.67 hours) will be funded by the Consumer Assistance Program grant.

#### Actuarial Services

Illinois will contract 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 estimates this activity will cost \$554,800 for one twelve-month contract.

### **“Other” Category Spending**

#### IT Upgrades

The Department will upgrade the current SERFF system at a cost of \$18,808. The cost estimate 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 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 is working with the NAIC Education and Training Department to arrange hands-on-training on the rate review process. This training will be given by NAIC trainers to our consumer assistance personnel, whose task is to answer questions and address complaints regarding the rate review process and to our consumer education staff whose task is to educate consumers on the rate review process. NAIC training will include training materials.*

#### Consumer Education and Outreach

The Department will engage and educate the public and policymakers regarding health insurance premiums, health care costs, utilization and benefit design. The Department estimates the cost of this effort will be \$1,500. The estimate includes the cost of media notifications, printing and postage.

In light of the new consumer protections under the Affordable Care Act that recently went into effect, 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. In addition, the Department has 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.

The Department estimates the cost of this effort will be \$9000. The estimate includes the cost of renting space for outreach events, media notifications, printing of materials and postage.

#### 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 Department estimates the cost of these services to be \$2,684.40.

The estimated word count is: 8948 words, comprising of the following documents for translation:

Consumer database – 448 words  
Consumer Report – 2000 words  
Q +A Document – 1500 words  
Comparison Chart – 1000 words  
Other Documents – 4000 words  
Total Word Count - 8948

Translation services are conducted through a state-approved master contract. Services are rendered at a flat rate, at .085 per word for Spanish, .095 per word for Polish, and .12 per word for Korean.

## **Premium Rate Review Project Work Plan**

(Updated April 30, 2012)

### **I. The goals of the Premium Rate Review Project are to:**

1. *Expand the scope of current review processes and improve rate filing requirements.*

a) To improve the infrastructure for health insurance rate filing, review, analysis and publication, the Department of Insurance (the “Department”) plans to hire additional staff and retain the actuarial consultants until additional staff is on board, update existing technology for collecting and analyzing rate information, and impose reporting requirements on insurers.

b) In addition, the Department plans to engage and educate the public and policymakers. Outreach will be premised upon the information assembled from the rate review reporting (as well as the additional consumer-provided information described below), the analysis of that data, and further reports on consumer impact.

2. Enhance consumer protection standards.

a) The Department plans to engage individuals from across the state to inform the Department on the true impact of current health insurance premium rates, to understand the statewide health care economy, utilization trends and benefit designs.

b) The Department will develop interactive tools for consumers, accessible on the Department website, which are dedicated to improving transparency and understanding of premium rate information through the use of consumer-friendly interfaces. This technology will enable individuals and businesses to search a database that will include:

- Information on the history of an insurer and previous rate increases (to the extent the State has this information);
- Functionality to permit individuals to compare rates and trends; and
- The Department will use Cycle I grant dollars to provide training sessions for consumer assistance personnel, whose task is to answer questions and address complaints regarding the rate review process, and our consumer education and outreach staff on the rate review process, the timeline of the ACA, and recent federal and Illinois implementations affecting the rate review program. The Department will evaluate the effectiveness of the training sessions and materials through feedback from the consumer assistance personnel, and will update the training materials for future training sessions.

### **II. The Department will know how many consumers it reaches by:**

a) The number of attendees of educational events, including webinars;

- b) The number of “hits” to the website; and
- c) The number of policyholders impacted by a proposed rate change.

### **III. Preliminary actions have taken place for the Premium Rate Review Project.**

The Department has publicly and privately engaged the insurance industry and emphasized the need for rate review in Illinois. The Department prepared and published a report of current rate increases in the individual and group markets. The Department will continue to update this report as rate filings are received. The Department has established a consumer comment function to allow consumers to email the Department with comments or concerns about current rate filings. The Department has initiated the formal hiring process to employ necessary personnel and has retained the actuarial consultants until necessary personnel can be hired.

### **IV. The Premium Rate Review Project will be conducted by the Department’s actuaries and insurance analysts in partnership with an actuarial consulting firm.**

Improvement of the rate review process requires the Department to hire two additional actuaries to help manage increased rate reporting and analysis of rates. Credentials for those employees will include the following:

- The Health Actuaries perform highly responsible professional actuarial work by providing counsel and advice and conducting technical research in the insurance field of life, accident and health; conducts technical actuarial determinations of insurance firms doing business in the State; develops and prepares reports and recommends appropriate actions to the chief actuary or to the department director and administrators; may supervise lower level actuaries.
- The Health Actuary position requires knowledge and skill equivalent to completion of four years of college, with courses in higher mathematics, such as calculus, probability and statistics. Requires four years professional experience in actuarial work in the life, accident and health field. Preferably requires the equivalent to the certificate received for the completion of necessary examinations to qualify as an Associate or Fellow of the Society of Actuaries (A.S.A. or F.S.A.) or Casualty Actuarial Society (A.C.A.S. or F.C.A.S.). Preferably requires the type and kind of experience and training necessary for membership in the American Academy of Actuaries.

### **V. The Premium Rate Review Project will take place**

August 9, 2010 – September 30, 2012.

## PREMIUM REVIEW PROJECT TIMELINE

(Updated April 30, 2012)

The Illinois Department of Insurance (“the Department”) will proceed with the following timeline for implementation of stated grant activities to enhance the current rate review process.

**First Quarter (August 9, 2010 through December 2010).** This quarter will primarily be composed of going through the formal hiring process, staff training, and planning necessary to effectively execute each of the activities planned in the grant application.

- August/September 2010. The Department anticipates the National Association of Insurance Commissioners (NAIC) will begin work immediately to modify the current System for Electronic Rate and Form Filing (SERFF) to address data collection and reporting requirements in Section A.1(c)(2) of the grant application. Until the Department is able to procure the Level II IT consultant, the Project Director will be working closely with NAIC over the subsequent 3 months of development to improve this technology.
- October 2010. The Department will initiate the formal process of hiring new staff dedicated to the Rate Review Enhancement Project. Illinois has a structured interview and selection process that includes bargaining contracts, executive orders and court mandates. These procedures may take 12-16 weeks or longer.
- October 2010. The Department will begin the process of preparing for and contracting with a new IT consultant dedicated to health reform and procuring additional actuarial consulting services. The Department will submit a Request for Proposal (RFP) following the statutorily required procurement process, which requires approval from the State Chief Procurement Officer. This is estimated to take approximately 12 weeks.
- October 2010. The Department will work with industry, consumer, and community-based organizations to identify partners for the engagement and education of the public and policymakers.
- October 2010. Department senior staff will work in concert with the new health reform 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.
- October/November 2010. The Department will establish a reporting protocol for major medical insurance products.
- November 2010. The Department will provide written notification to insurers of the Department’s rate increase reporting protocol.

- December 2010. As soon as practicable, insurers in every market (individual, small group, large group, HMO) will begin reporting rate information electronically through SERFF and the IT infrastructure developed for this purpose.
- December 2010. Using the enhanced SERFF technology and the IT design plan from the consultant, the Department will begin building an enhanced IT infrastructure to report findings to consumers.
- **Second Quarter (January 2011 - March 2011)**. This quarter will be dedicated to public outreach regarding rate increases, developing/testing/training staff on the new technological infrastructure necessary and educating insurers about the IT reporting process.
- January 2011. The Department will continue to engage and educate the public and policymakers regarding the dysfunction of the Illinois market and 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. Department professionals will continue to evaluate and analyze data received in the rate review process.
- February 2011. The Department will launch the new reporting system for rate filings and notify carriers of the new requirements.
- February/April 2011. The Department will review proposals submitted for actuarial consulting services, select a vendor, and execute a contract with the vendor to perform those services.
- **Third Quarter (April 2011 – 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 state’s legislative session.
- April/May 2011. The Department will work with state legislators and relevant stakeholders to develop a plan for public hearings on proposed rate increases (with the goal of multiple hearings in Chicago and Springfield). Planning will consist of location, logistics, potential witnesses, public notification, and administrative processes.
- May 2011. The Department will contract with a vendor (Oliver Wyman) to provide actuarial consulting services related to the rate review process.
- May 2011. Appropriate Department staff will 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 additional updates to SERFF and related API services with NAIC.



- May 2011. SERFF staff and our internal health reform IT consultant will train relevant staff on new rate filing technology. IT staff will work with senior rate filing staff to draft the appropriate notice and directions on the new rate filing system for insurers. New information will be made public, and posted prominently on the Department's website.
- May/June 2011. The Department will commence a 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 the Medical Loss Ratio data submitted to the state, NAIC, and HHS.
- June 2011. Appropriate Department staff will meet with representatives from Oliver Wyman to establish a detailed process for the evaluation of rate filings.
- **Fourth Quarter (July 2011 – September 30, 2011)**

\*Note that the Department has applied for a No Cost Extension of the Cycle I grant funding through September 2012.

- July 2011. The Insurance Analysts begin work.
- August 2011. The Consumer Information Officer begins work.
- **Fifth Quarter (October 2011 – December 2011)**
- October/November 2011. The Department establishes a consumer comment function on the Department's website to allow for comments on rate filings.
- October 2011. In coordination with the efforts in the Department using the Consumer Assistance federal grant, IT staff launches a beta version consumer interface for the rate review web site and associated tools with simulated information for feedback and refinement.
- November 2011. Through the Consumer Assistance Program Grant, the Department executed a contract with a vendor to assess the Department's consumer service activities, including the accessibility of the Department's website and other outreach efforts. The work of the selected vendor will help inform the form and content of the new website.
- November 2011. Through the Cycle I grant, the Department developed new consumer-friendly content for the new rate review website, including an additional rate review process webinar, which will be published shortly. The Department conducted previous webinars on "Health Insurance Premium Increases in Illinois" and Medical Loss Ratio Provisions in the Affordable Care Act on February 1, 2011 and March 7, 2011 respectively.

- **Sixth Quarter (January 2012 – March 2012)**

February 2012. Reports generated from the rate review process, for rate increases that are greater than 10% and are deemed “unreasonable,” are made publicly available. Any rate increase at or above the 10% threshold is linked to the HealthCare.gov website where consumers can review the rate increase information and justification.

- March 2012. The Department will partner with the NAIC Education and Training Department to prepare hands-on training sessions and training materials for the customer assistance personnel who respond to consumer inquiries and complaints about premium rate increases and the consumer education and outreach staff. The training sessions will be presented by NAIC trainers within the next few months. The Department will solicit feedback from these training sessions and refine the training materials, if necessary, to better equip the staff to understand and answer consumer comments and questions.
- March/April 2012. The Department will partner with consumer advocacy groups, via conference calls and panel discussions, to engage and educate consumers on the Department’s rate review program. In addition, the Department plans to distribute information, such as brochures and fact sheets at various locations such as libraries, facility patient financial services offices, doctor’s offices, appropriate state and local government agencies, etc.
- March 2012. The Department will compile and publish analyses regarding rate increases, health care costs, health care utilization and benefit design.
- March 2012. The Department continues to make improvements to the Illinois Web Portal. On March 7, 2012 the web portal was updated and Version 2.0 was released to carriers.
- March 2012. The Department continues its efforts to hire an Actuarial Assistant to assist with rate review, and estimates that this position will be funded by the Cycle I grant for three months. The Department will retain the outside actuarial contracting firm until the hiring process is complete.
- April/May 2012. The Department continues its efforts to hire two Health Actuaries to assist the Department with rate review and expects the hiring process to be complete during the second half of the Cycle 1 grant timeline. The Department will retain the outside actuarial contracting firm until the hiring process is complete.

## **PART I**

### **Introduction**

The Illinois Department of Insurance (“the Department”) is making considerable progress in expanding and improving the rate review enhancements proposed in its application for the *Enhanced Premium Rate Review – Cycle II Grant* (“the Grant”) during the first quarter of the Grant period. This funding opportunity enables the Department to continue its efforts to provide a more functional, transparent private health insurance marketplace. The Department will obtain the resources and staff to analyze data and enhance its ability to share that data in a meaningful and consumer-friendly format. The Department also will engage carriers directly on the reasonableness of proposed rate increases.

### **Program Implementation Status**

#### **Accomplishments to Date**

The Department has laid out a framework for expanding and improving the current rate review program, categorizing milestones into three broad objective areas: 1) efforts to enhance the current review of private health insurance premium rate activities; 2) efforts to enhance consumer protections and marketplace efficiency; and 3) efforts to expand statewide understanding of the Illinois health care economy, including where and how premiums pay for health care. A more detailed and narrative discussion of the work behind these milestones appears under the section “Significant Activities: Undertaken and Planned.”

#### *Objective: Effectively Enhance the Current Review of Private Health Insurance Premium Rate Activities*

- The Department continues to seek express statutory authority to approve or deny premium rate filings.
- The Department continues to collect rate filings through the System for Electronic Rate and Form Filing (SERFF)<sup>1</sup> and the Illinois-specific Premium Rate Review Web Portal (“portal”). Accompanying each filing 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. (See Appendix A).
- With Cycle II grant funding, plans are underway to implement the Illinois *Enhanced Premium Review Project* and establish the Department infrastructure necessary to expand current rate review activities. Staffing will be increased to accommodate new demands

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<sup>1</sup> Rates for HMO plans are not filed through SERFF

and technological upgrades will streamline and expand the Department's existing electronic submission and analysis systems.

- The Department plans to expand the current scope of rate review activities by transitioning the review of rate filings from its actuarial consultants to permanent Department staff. The Department intends to hire two Health Actuaries and an Actuarial Assistant to assist with rate review. The Department anticipates that these staff members will be hired during the No Cost Extension of Cycle I grant funding. The Department has retained the services of its actuarial consulting firm to perform these duties in the interim.
- The Department intends to retain the three contractual insurance analysts through FFY 2014 using Cycle II funds.
- The Department continues to participate in NAIC/SERFF conference calls regarding potential system upgrades to accommodate state data collection needs, and considered opportunities to leverage new capabilities. The Department has committed \$20,856 of Cycle II grant funds to SERFF upgrades.

*Objective: Effectively Enhance Consumer Protections and Marketplace Efficiency*

- The Department continues to compile and collect necessary data and utilize the process for reviewing rate filings developed and implemented with an actuarial consulting firm in 2011, and plans on retaining the actuarial consulting firm while seeking qualified applicants for Health Actuary positions.
- The Department intends to significantly invest in expanding consumer protection standards through a more open and transparent process for review. This includes developing new interactive tools for consumers to navigate health insurance premium information and provide feedback. An initial system for the display of rate increases has been launched, and a more comprehensive system is in development. The Cycle II Grant Application and quarterly Reports have been posted on the Department's website. In addition, the Consumer Information Officer, funded by the Consumer Assistance Program Grant, is in the process of developing a "Procedure Manual" for staff training and reference.

*Objective: Effectively Expand Statewide Understanding of the Illinois Health Care Economy, Including Where and How Premiums Pay for Health Care*

- The Department intends to enhance current rate review activities by conducting in-depth analysis of proposed rate increases and then compiling and publishing proposed rate increases in order to engage and educate the public and policymakers about the cost of health insurance, the cost of health care, and the impact of benefit design.
- The Department intends to hire a Research Economist who will be responsible for collecting data from rate filings received from carriers. The Research Economist will then 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 has held internal meetings on the role and scope of this position. Currently, senior staff is working on a job description for this position.

## Challenges and Responses

- The Department continues to experience delays in adding new staff due to State hiring requirements similar to those encountered during Cycle I. 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.
- An additional challenge the Department continues to encounter is the lack of explicit statutory authority to approve or deny premium rate filings. The Department intends to continue its efforts in this regard in future legislative sessions.

## **Significant Activities: Undertaken and Planned**

- 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 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 three broad areas: 1) efforts to enhance the current review of private health insurance premium rate activities; 2) efforts to enhance consumer protections and marketplace efficiency; and 3) efforts to expand statewide understanding of the Illinois health care economy, including where and how premiums pay for health care. Each of the three categories is further organized into multiple subcategories. Milestones implemented or initiated during the first quarter are divided by subcategory and described below.

### 1. *Collection of Premium Rate Data*

#### A. *Technical Capacity for Data Collection*

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. The Department continues to work with SERFF and NAIC to modify SERFF in order to meet the needs of its rate review program and allow carriers to submit rate information in a single filing. In pursuit of

such changes, the Department has participated in discussions with SERFF officials to discuss implementation of SERFF upgrades and implementation of the Health Filing Access Interface. The Department has committed \$20,856 of Cycle II funding for these SERFF upgrades.

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.

#### *C. Collection of Data*

Pursuant to Company Bulletins 2010-08 and 2011-02 (See Appendix B), the Department has received 27 rate filings in the sixth quarter, and of those, 13 requested rate increases and were subject to review. Of these 13 filings, 11 are pending review, and 2 were filed.

## 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 goal is that the Health Actuaries and Actuarial Assistant, when hired, will (1) review premium information, (2) assist with the initial evaluation of all rate filings received from carriers, including an initial evaluation of the reasonableness of a proposed rate increase; and (3) assist the Department in a macro-analysis of Illinois’ private health insurance marketplace to identify trends in premium rate increases and the impact of such increases. The Department intends to retain the actuarial consulting firm until the Health Actuaries can be brought on staff. 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.

### D. Conduct I Analysis

- The Department received 27 filings in the first quarter, 13 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 consultants then review the rate increase to determine if it exceeds the 10 percent threshold for further review. If the increase exceeds 10 percent, the consultants conduct an 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. Obtain Authority and 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. Unfortunately, on May 31<sup>st</sup>, the General Assembly adjourned before action was taken on HB 1501. The Department continued to work with the Governor’s office and state legislators to pursue statutory authority to approve and deny rate increases in future sessions.
- 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. 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. In addition, the Department has reviewed, and is ready to post on its website, a new and educational Rate Review Webinar, named: “A Guide to Rate Review”, a graphic and easy-to-understand description of how the rate review process works in Illinois, and a frequently asked questions and answers document - all designed to educate consumers and increase the Department’s transparency and outreach efforts. Also during the sixth quarter, the Department continued the development of its new rate filing webpage that includes an interactive web tool to display current rates. This new webpage allows consumers to see rate filings from 2005-2011 and provide comments to the Department on these filings. In addition, during the fifth and sixth quarter, utilizing funding from the Consumer Assistance Program grant, 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.

#### *B. 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 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. The funding allocated as part of this grant will supplement those efforts.

#### **Operational/Policy Developments/Issues**

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 Grant Program 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 - all of which have been reviewed and will be published shortly. In addition, hand-out brochures, describing the rate review process in Illinois, are in the final stages of review. 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.

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.

## **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. Although the specific minimum federal and State requirements for plan participation and eligibility to sell on the Exchange have yet to be finalized, the Department, at a minimum, will provide a recommendation to the Exchange regarding plan participation related to some key elements. Any recommendation from the Department would likely be based on mandatory regulatory requirements for carriers and plans to operate in Illinois, such as solvency and licensing requirements, as well as plan and policy approvals. Additionally, a carrier's specific pattern or practice of requesting and implementing premium rate changes – both increases and decreases -- will also be reviewed and included in the recommendation, as required by law. Recommendations specifically related to premium rate changes, and specifically those decisions informed by “unreasonable” rate increases, would be based on publically available information posted on the Department's website following a robust review process and final Department determination.

## **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 is adjusting its expectations for the addition of new staff moving forward, including the retention of the actuarial consulting firm, and has been 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 April 30, 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 2012

The current budget for premium rate review is the \$1,000,000 received under Cycle I funding.

## Estimated Budget for Premium Review Cycle II

To enhance the current rate review process and to improve consumer protection standards, the Department estimates a total cost of \$3,531,085 from FY 2012 through FY 2014. An itemization of the costs is provided below.

## Personnel

The Department submits a proposal requiring 11 staff members which includes two Health Actuaries, one Actuarial Assistant, two Insurance Analysts, one Insurance Analyst Assistant, three IT Staff, one Research Economist, and one Fiscal Grants Specialist. The Health Actuaries, Insurance Analysts, and Insurance Analyst Assistant will be paid using Cycle 1 No Cost Extension funds for the entirety or portions of FY 2012. The Cycle II Grant will pay for 10% of the Fiscal Grants Specialist's salary, with the remainder coming from the State's Level One Exchange Establishment Grant. Total estimated cost for salaries is \$1,790,185. Attached is an itemization of personnel and fringe benefit costs in a modified position estimator spreadsheet.

### Fringe Benefits

The cost of fringe benefits, including group insurance, social security, and retirement for the additional staff is \$755,278. The Actuarial Assistant, Insurance Analysts, Assistant Insurance Analyst, and Fiscal Grants Specialist will be hired in a contract capacity and will not receive retirement or insurance benefits (though the State will use Grant funding to pay Social Security costs).

### Travel

Though new staff will not travel, existing staff will travel under the grant to perform activities related to advancing legislation, and coordinating with Springfield staff and other stakeholders across the state. Colleen Burns, Special Counsel for Health Policy, will be traveling to Springfield during the legislative session to advocate for the Department's legislation to establish rate review authority. Ms. Burns will also travel to coordinate rate review efforts between the Chicago and Springfield DOI Offices. The Department has allocated \$3,000 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 will cover the cost of traveling between Chicago and Springfield approximately 3 times per year.

#### Equipment

For both the additional permanent employees and contracted staff funded by this Grant, the Department anticipates an average cost of \$1,000 per employee for equipment for each Fiscal Year. This comes to a total of \$28,000, and includes computers, printers, calculators, staplers, and other similar equipment.

#### Supplies

For both the additional permanent employees and contracted staff funded by this Grant, the Department anticipates an average annual cost of \$500 per employee for general office supplies. This comes to a total of \$14,000.

#### Telecom

For both the additional permanent employees and contracted staff funded by this Grant, the Department anticipates an average annual cost of \$600 per employee for telecom services. This comes to a total of \$16,800, and includes services such as internet, phone, and voicemail.

### **Contractual Services**

#### New Employee Contractual Services

For the four new employees and contracted staff funded by this grant, the Department estimates an average cost of \$1,000 per employee for various contractual services for the year they are hired (FY 2012), for a total of \$4,000. 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.

#### 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 consultant to work alongside new IT Staff to design and build rate review software and convert to web-based system for consumer use. IT development would consist of 3 consultants funded at \$180,000 each for FY 2012 and 1.5 consultants funded at the same level for FY 2013, for a total of \$810,000.

### **“Other” Category Spending**

#### IT Upgrades

Illinois will participate in the SERFF system upgrades introduced in September 2011. These upgrades include enhancements related to Data Collection from Industry, State Data Input, and the Health Filing Access Interface (HFAI). NAIC has indicated that the cost for these upgrades will be \$20,856.

## Consumer Education and Outreach

- The Department intends to enhance the transparency of the rate review process. Information about premium rate increases in the individual and small group markets will be posted to the Department's website as rates are filed. The Department also intends to publicize information about rate increases that the Department has determined to be unreasonable. Issuers that pursue these increases will be required to post rate increase information, including their Preliminary Justification, on their websites. In addition, the Department will provide a link to Healthcare.gov and CMS.gov to allow consumers to read a brief, non-technical explanation of the relevant review findings that formed the basis of the Department's review determination.
- The Department will then post a consumer-friendly summary of the Department's decision on its website for each filing reviewed.
- Consumers also have the option of commenting on rate increases through a public comment section, developed on the Department's website. This page includes a link for consumers to connect directly to the HHS website, and information on issuers that have pursued increases that the Department has determined to be "unreasonable".
- In order to provide information to the public about Illinois' rate review activities, the Department has created, and plans to conduct shortly, additional webinars on the Enhanced Rate Review Program.

## Reporting to the Secretary on Rate Increase Patterns

The Department will comply with the requirement that grant participants provide data to the Secretary on health insurance rate trends in premium rating areas. The Department intends to hire a Research Economist that will be responsible for collecting the necessary data and identifying trends in the Illinois marketplace. The Department estimates the cost of this effort will be \$15,831. The estimate includes the cost of media notifications, printing and postage.

## 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 Department estimates the cost of these services to be \$35,835.00.

## Equipment

To accommodate the project's IT upgrades, the Department will need to purchase six development workstations from Illinois CMS at a cost of \$1,154 each plus an annual recurring cost of \$1,272 each. The Department also anticipates incurring additional charges for disk space at an annual cost of \$2,160. In total, new IT equipment will cost \$36,300.

## **Premium Rate Review Work Plan**

*(updated April 30, 2012)*

### **I. Goals of the Premium Rate Review Project are to:**

- a. Enhance the current review of private health insurance premium rate activities;
- b. Enhance consumer protections and marketplace efficiency; and
- c. Expand statewide understanding of the Illinois health care economy, including where and how premiums pay for health care.

### **II. Evaluation Plan:**

- a. 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.
  - i. With actuarial consultants assisting with filings, this review is estimated to be completed within 30 days once all information is received.
  - ii. After the contract with the consultants expires, the Department intends to maintain this average review time.
- b. The Department will know how many consumers it reaches by:
  - i. The number of “hits” to the website;
  - ii. The number of consumer comments; and
  - iii. The number of policyholders impacted by a proposed rate change.

### **III. Deliverables of the Enhanced Premium Rate Review Project**

- a. A report that identifies market trends in the Illinois insurance marketplace and includes a comprehensive assessment of premium increases.
- b. An updated and consumer-friendly webpage dedicated to premium rate review that will enable consumers to easily access information on rate increases and justifications provided.

### **IV. The Enhanced Premium Rate Review Project will be conducted by the Department’s actuaries and insurance analysts.**

Improvement to the rate review process requires the Department to hire two additional Health Actuaries during the No Cost Extension of Cycle I grant funding. The Department will hire a

Research Economist, with Cycle II funding, to assist with the analyzing of rate data. IT staffing will be obtained to assist the Department in enhancing current infrastructure and further expanding the internal Web Portal. Credentials for those employees will include the following:

- The **Health Actuary** performs highly responsible professional actuarial work by providing counsel and advice and conducting technical research in the insurance field of life, accident and health; conducts technical actuarial determinations of insurance firms doing business in the State; develops and prepares reports and recommends appropriate actions to the chief actuary or to the department director and administrators; may supervise lower level actuaries.
- The **Health Actuary** requires knowledge and skill equivalent to completion of four years of college, with courses in higher mathematics, such as calculus, probability and statistics. Requires four years professional experience in actuarial work in the life, accident and health field. Preferably requires the equivalent to the certificate received for the completion of necessary examinations to qualify as an Associate or
- Fellow of the Society of Actuaries (A.S.A. or F.S.A.) or Casualty Actuarial Society (A.C.A.S. or F.C.A.S.) Preferably requires the type and kind of experience and training necessary for membership in the American Academy of Actuaries.
- The **Research Economist** participates in the conduct of highly complex and specialized economic research and analytical work pertaining to the health insurance marketplace in the State of Illinois, its divisions, regions and/or other subareas; participates in the planning of economic research projects and studies; collects a variety of economic data and statistics from primary and secondary sources; assists in the review, evaluation and selection of current economic literature and reports.
- The **Research Economist** requires knowledge, skill and mental development equivalent to completion of four years of college and a master's degree in economics or closely related field. Requires two years professional experience in the field of research and/or education in economics. Requires extensive knowledge of published economic statistics, sources and data; research and statistical methods and techniques, sources of information, and methods of presentation; and current research activities in the field of regional economics. Requires thorough knowledge of economic development, theory and practices. Requires ability to apply research methods and statistical techniques to the analysis and interpretation of economic data. Requires ability to plan, construct, prepare and present comprehensive reports in oral and written form. Requires ability to establish and maintain an effective reference and control system.
- The **IT Staff** requires knowledge, skill and mental development equivalent to four years of college with course work in computer science or directly related fields, supplemented by three years of professional experience in a related Information Technology field. Requires extensive knowledge of Information Technology concepts and principles, the theories and functions of computer systems, and the principles and techniques of Information Technology documentation; hardware and software, languages, and procedures to provide assigned technical and analytical services; methods, procedures



and techniques of conducting feasibility studies for system conversions and enhancements. Requires ability to effectively participate in and profit from continuing education, both in a formal and in-service training setting; analyze data logically and exercise sound judgment in defining, evaluating, and solving difficult administrative, organizational, technical, or operational problems where solutions may be of a precedent-establishing or research nature; gain and maintain effective working relationships with agency officials, associates, vendors, clients, and others; coordinate the activities of work associates to achieve desired results; plan and recommend training requirements that are necessary for effective performance. Requires developed oral and written communication skills to present technical information to others with clarity and precision.

- The **IT staff** requires experience in database design, database application development, Windows LAN based operating system environments and Microsoft SQL Server Database Management System; requires experience developing complex database structures using MS SQL Server; requires experience with techniques for accessing relational data using programming tools including MS Access, MS Visual Basic, and MS Visual Studio; requires experience training programmers in proper database access techniques; requires the ability to diagnose and resolve problems with relational databases; requires experience monitoring relational databases in order to identify and address potential problems before they affect performance.

#### **V. Management of the Enhanced Premium Rate Review Project.**

##### Project Manager, David Grant

David Grant, the Deputy Director for the Health Product Division will serve as the Project Director. The Project Director will take responsibility for guiding the planning process for the Department's enhanced rate review program. The Project Director will oversee the program and assist in delegating responsibilities to the IT staff dedicated to rate review.

##### Deputy Project Manager, Colleen Burns

Colleen Burns, Special Counsel for Health Policy will serve as the Deputy Project Director. The Deputy Project Director will assume the responsibilities associated with the logistics, coordination, contracting, and outreach of the project. The Deputy Project Director will record and report on progress made on key decision points, ensure consumer outreach activities are transparent and accessible, and make certain that all reporting requirements associated with the grant are met.

#### **VI. The Enhanced Premium Rate Review Project will take place:**

September 30, 2011 - September 30, 2014.

# **ENHANCED PREMIUM RATE REVIEW PROJECT TIMELINE**

*(Updated April 30, 2011)*

The Illinois Department of Insurance (“the Department”) will proceed with the following timeline for implementation of stated grant activities to enhance the current rate review process.

## **First Quarter (October, 2011 through December 2011).**

### October 2011

- Prepare webinar on new Illinois Enhanced Rate Review Program.
- Develop new content for the rate review page of the Department’s website including updates on Cycle II funding.
- Provide a direct link to the HHS website for consumers.
- Provide consumers with a public comments section on the Department’s rate review page
- Evaluate the specific reporting requirements of the grant and immediately amend the Department’s existing program to accommodate these reporting requirements.
- Begin the procurement process for new computers and IT equipment.
- Post preliminary justifications on the Department’s website by providing a link to the CMS website.
- Develop job descriptions for Research Economist and IT Staffing.
- Review public comments submitted through the Department’s website (monthly).
- Update rate review content on the Department’s website (monthly).

### November 2011

- Develop the IT infrastructure necessary to automatically post rate increases to the Department’s website as they are filed.
- Implement a new process to produce consumer-friendly reports regarding the health insurance rate information, and update rate comparison technology.

## **Second Quarter (January 2012 through March 2012).**

### January 2012

- Finalize development of “Frequently Asked Questions” for the Department’s website.
- Conduct the webinar on new Illinois Enhanced Rate Review Program.
- Begin working with the Illinois Exchange to develop a reporting process to allow the Department to make recommendations to the Exchange as to which plans should be included on the Exchange.

February 2012

- Continue efforts to fill Health Actuarial positions.
- Renew contract with outside actuarial consulting firm, Oliver Wyman, until internal health actuaries are hired.

March 2012

- Post positions/begin interviewing for Research Economist and IT Staffing.

**Third Quarter (April 2012 through June 2012).** April-

June 2012

- Complete “Procedures Manual” and train staff.

April-May 2012

- Establish an evaluative process for assessing the success of the Enhanced Rate Review Program.

May-June 2012

- Monitor rate review process to ensure that transition from outside actuarial consultants to internal actuarial staff has been successful.

**Fourth Quarter (July 2012 through September 2012).** June-

August 2012

- Update the “Frequently Asked Questions” portion of the Department’s website to explain rate making and the rate review process.

September 2012

- Begin evaluation of state-specific threshold for evaluating rates that reflects the insurance and health care cost trends in Illinois.

**Fifth Quarter (October, 2012 through December 2012).**

October-November 2012

- Develop a publically available “annual report” on premium increases in Illinois.
- Review metrics for success of the Enhanced Rate Review Program.

December 2012

- Post 2012 “annual report” on the Department’s website.

### **Sixth Quarter (January 2013 through March 2013).**

January-February 2013

- Develop an updated webinar on Illinois rate review activities.
- Conduct webinar.

March-April 2013

- Update the “Frequently Asked Questions” section of the Department’s rate review page.

### **Seventh Quarter (April 2013 through June 2013). May-**

June 2013

- Finalize process – including all policies, business requirements, and legal relationships (contracts, memorandum of agreement) -- with the Illinois Exchange for sharing Department recommendations on issuer and plan participation on Exchange. This includes a launch of beta testing for all IT technology leveraged to share information securely and only as appropriate.

### **Eighth Quarter (July 2013 through September 2013).**

July 2013

- Begin sharing with the Illinois Exchange Department recommendations on issuers that should be excluded from the Exchange in preparation for Exchange “go live” date in January 2014.

August 2013

- Review metrics for success of the Enhanced Rate Review Program.

### **Ninth Quarter (October, 2013 through December 2013).**

September-November 2013

- Begin compiling information for “annual report.”
- Begin to develop a procedure for conducting “focus group” type activities around the state to gauge the effectiveness of the Department’s outreach activities.

December 2013

- Post 2013 “annual report” on the Department’s website.

### **Tenth Quarter (January 2014 through March 2014).**

January 2014

- Design a “focus group” for gauging the effectiveness of the Department’s consumer outreach activities.

February 2014

- Conduct a “focus group” in which the Department seeks feedback from Illinois residents on the effectiveness of rate review outreach activities.

March 2014

- Review metrics for success of the Enhanced Rate Review Program.
- Develop an updated webinar on Illinois rate review activities.

### **Eleventh Quarter (April 2014 through June 2014).**

April 2014

- Conduct webinar
- Compile and evaluate information obtained through “focus group” activities to hone the Department’s outreach efforts to ensure wide understanding of the rate review program.

May-June 2014

- Update the “Frequently Asked Questions” section of the Department’s rate review page.
- Update content on the Department’s website

### **Twelfth Quarter (July 2014 through October 2014).**

July-September 2014

- Begin compiling information for 2014 “annual report.”