

## **PART I**

### **Introduction**

The Illinois Department of Insurance (“the Department”) has made extensive progress during this quarter 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. This funding enables the Department 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 continues to utilize 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. 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.

### **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 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 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 has recently been successful in moving forward with the process of hiring one Health Actuary II and a Health Actuarial Assistant. Both of these positions have been posted to begin the hiring process. 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 worked with internal staff to develop a Procedure Manual that will assist with staff training and reference. This manual is currently under the review of senior staff at the Department.

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

*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. The contract has been renewed until February, 2013.

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. 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.

### **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 eighth quarter, and of those, 19 requested rate increases and were subject to review. Of these 19 filings, 16 are pending review, 2 were filed, and 1 was 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 convert to 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.

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 27 filings in the first quarter, 19 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 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. Unfortunately, on May 31<sup>st</sup>, the General Assembly adjourned before action was taken on HB 1501.
- 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<sup>io</sup>n 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 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 is also being developed. In addition, the Department has drafted a frequently asked questions and answers document which is currently being reviewed by senior staff. These education materials are all designed to educate consumers and increase the Department’s transparency and outreach efforts. Also during the eighth quarter, 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 provide comments to the Department on these filings. Additionally, the web tool also displays current individual and group rates, through September 2012.
- 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. These efforts will be undertaken shortly as soon as the updates to the new website are finalized. As mentioned above, many of the updates have been posted to the website and translation should be available in the near future. Funding for this activity will be provided through Cycle II grant funds.

### **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 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 eighth quarter, the Department held twenty 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 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 October 31, 2012)

### Overall Budget

The Illinois Department of Insurance (DOI) appropriation for FY2012 totaled \$46,103,500. Projected annual revenue collected in FY13 is \$47,894,200.

### 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 Insurance Analysts and Insurance Analyst Assistant were 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.

### 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 provides 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 Cycle II Project Work Plan and Timetable**

The Department has laid out a framework for expanding and improving the current rate review program, categorizing milestones into three broad objective areas:

## **1) Enhance the current review of private health insurance premium rate activities**

- Continue to collect rate filings through the System for Electronic Rate and Form Filing (SERFF)<sup>2</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.
- 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 and technological upgrades will streamline and expand the Department’s existing electronic submission and analysis systems.
- 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 has retained the services of its actuarial consulting firm to perform these duties in the interim. The Department has recently made progress in its efforts to retain a Health Actuary and has received 9 applications for this position.
- Retain the three contractual insurance analysts through FFY 2014 using Cycle II funds.
- Continue participating in NAIC/SERFF conference calls regarding potential system upgrades to accommodate state data collection needs, and considered opportunities to leverage new capabilities.

## **2) Enhance Consumer Protections and Marketplace Efficiency**

- Continue to compile and collect necessary data and utilize the process for reviewing rate filings developed and implemented with Oliver Wyman in 2011, and retain Oliver Wyman while seeking qualified applicants for Health Actuary positions.
- 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. In addition, the Consumer Information Officer, funded by the Consumer Assistance Program Grant, has developed a “Procedure Manual” for staff training and reference.

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<sup>2</sup> Rates for HMO plans are not filed through SERFF

**3) Expand statewide understanding of the Illinois health care economy, including where and how premiums pay for health care.**

- Enhance current rate review activities by conducting in-depth analysis of proposed rate increases and then compile and publish 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.
- 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.

## Milestones/Deliverables and Timeline

The goals and objectives of the Rate Review Cycle II Project will be accomplished according to the following timeline:

Activity	Goal-Objective
<b>First Quarter (October, 2011 - December 2011)</b>	
<b>October 2011</b>	
Prepare webinar on new Illinois Enhanced Rate Review Program.	<b>Completed.</b>
Develop new content for the rate review page of the Department's website including updates on Cycle II funding.	<b>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 has been posted, and Quarterly Reports have been posted.</b>
Provide a direct link to the HHS website for consumers.	<b>Completed.</b>
Provide consumers with a public comments section on the Department's rate review page	<b>Completed.</b>
Evaluate the specific reporting requirements of the grant and immediately amend the Department's existing program to accommodate these reporting requirements.	<b>Completed.</b>
Begin the procurement process for new computers and IT equipment.	<b>In progress.</b>
Post preliminary justifications on the Department's website or provide a link to the CMS website.	<b>Completed.</b>
Develop job descriptions for Research Economist and IT Staffing.	<b>In progress, IT staff is being re-evaluated due to the restrictions on budget.</b>
Review public comments submitted through the	<b>In progress.</b>



Department's website (monthly).	
Update rate review content on the Department's website (monthly).	<b>The rate chart on the website is being updated on an ongoing basis. The Department continues discussions regarding the design of a rate review "Report Card" to display rate information on its new rate filing web page.</b>
<b>November 2011</b>	
Develop the IT infrastructure necessary to automatically post rate increases to the Department's website as they are filed.	<b>The Department is currently working to implement an automatic reporting system, and in the interim, is posting the information manually.</b>
Implement a new process to produce consumer-friendly reports regarding the health insurance rate information, and update rate comparison technology.	<b>The Department is currently developing the enhanced reporting process.</b>
<b>Second Quarter (January 2012 - March 2012)</b>	
<b>January 2012</b>	
Finalize development of "Frequently Asked Questions" for the Department's website.	<b>The FAQ's are currently under review and awaiting approval.</b>
Post the webinar on new Illinois Enhanced Rate Review Program.	<b>Completed.</b>
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.	<b>Department staff in the Health Products and Exchange Policy divisions have met to discuss how this will be implemented. Exchange Establishment legislation currently under consideration in the Illinois General Assembly could have implications for this process.</b>
<b>February 2012</b>	

Begin preparing for transition of complete review of filings to internal Health Actuaries in preparation for departure of actuarial consultants.	<b>The Department is still seeking to fill these positions. The Department has recently received applications for the Health Actuary position.</b>
Retain outside actuarial consulting firm until internal health actuaries are hired.	<b>DOI continues to utilize the services of Oliver Wyman.</b>
<b>March 2012</b>	
Post positions/begin interviewing for Research Economist and IT Staffing.	<b>The Department has met with continued delay in brining on this staff due to state budget issues. However, progress has been made in retaining the services of IT consulting staff.</b>
<b>Third Quarter (April 2012 - June 2012)</b>	
<b>April-June 2012</b>	
Complete “Procedures Manual” and train staff.	<b>In progress.</b>
<b>April-May 2012</b>	
Establish an evaluative process for assessing the success of the Enhanced Rate Review Program.	<b>In progress</b>
<b>May-June 2012</b>	
Monitor rate review process to ensure that transition from outside actuarial consultants to internal actuarial staff has been successful.	<b>Delayed. The actuarial consultants will be retained through February 2013.</b>
<b>Fourth Quarter (July 2012 - September 2012)</b>	
<b>June-August 2012</b>	
Update the “Frequently Asked Questions” portion of the Department’s website to explain rate making and the rate review process.	<b>A rate review FAQ has been developed and is currently being reviewed by senior staff before posting.</b>
<b>September 2012</b>	
Begin evaluation of state-specific threshold for	<b>In progress.</b>

evaluating rates that reflects the insurance and health care cost trends in Illinois.	
<b>Fifth Quarter (October, 2012 - December 2012)</b>	
<b>October-November 2012</b>	
Develop a publically available “annual report” on premium increases in Illinois.	
Review metrics for success of the Enhanced Rate Review Program.	
<b>December 2012</b>	
Post 2012 “annual report” on the Department’s website.	
<b>Sixth Quarter (January 2013 - March 2013)</b>	
<b>January-February 2013</b>	
Develop an updated webinar on Illinois rate review activities.	
Conduct webinar.	
<b>March-April 2013</b>	
Update the “Frequently Asked Questions” section of the Department’s rate review page.	
<b>Seventh Quarter (April 2013 - June 2013)</b>	
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.	

<b>Eighth Quarter (July 2013 - September 2013)</b>	
<b>July 2013</b>	
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.	
<b>August 2013</b>	
Review metrics for success of the Enhanced Rate Review Program.	
<b>Ninth Quarter (October, 2013 - December 2013)</b>	
<b>September-November 2013</b>	
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.	
<b>Tenth Quarter (January 2014 - March 2014)</b>	
<b>January 2014</b>	
Design a “focus group” for gauging the effectiveness of the Department’s consumer outreach activities.	
<b>February 2014</b>	
Conduct a “focus group” in which the Department seeks feedback from Illinois residents on the effectiveness of rate review outreach activities.	
<b>March 2014</b>	
Review metrics for success of the Enhanced Rate Review Program.	

Develop an updated webinar on Illinois rate review activities.	
<b>Eleventh Quarter (April 2014 - June 2014)</b>	
<b>April 2014</b>	
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.	
<b>May – June 2014</b>	
Update the “Frequently Asked Questions” section of the Department’s rate review page.	
Update content on the Department’s website	
<b>Twelfth Quarter (July 2014 - October 2014).</b>	
<b>July-September 2014</b>	
Begin compiling information for 2014 “annual report.”	

**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 on this position and has received 9 applications.
- 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.

**Quarterly Report Summary Statistics:**

- Total Funds Expended to date: \$20,856
- Total Staff Hired (new this quarter and hired to date with grant funds): 3
- Total Contracts in Place (new this quarter and established to date): 2
- Introduced Legislation: No
- 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