

## *Health Insurance Rate Review Program, Cycle II FFY 2013, Quarter 3*

Department of Insurance, State of Illinois

July 30, 2013

### **PART I**

#### **Introduction**

Despite the fact that the Illinois Department of Insurance (“the Department”) has experienced delays during Qtr 3, as a result of checking the QHP applications in order to submit them on July 31, 2013, the Department continues to make extensive progress in expanding and improving the rate review enhancements proposed in its application for the Enhanced Premium Rate Review – Cycle II Grant (“the Grant”) FFY13, Qtr 3. 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.

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.

#### **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 collect rate filings through the System for Electronic Rate and Form Filing (SERFF) and the Illinois-specific Premium Rate Review Web Portal (“portal”). Accompanying each filing is a Rate Data Collection Form 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. The Actuarial Memorandum is required and is to contain the complete justification for the submitted rates, including background information, actuarial assumptions, and an explanation of the rationale for the requested rate action, as well as other relevant information.
- In addition, the Federal Unified Rate Review Template and Actuarial Certification must be included in each rate filing.
- The Department has been involved in weekly calls and webinars to understand the new system that HHS and NAIC have been working on to enable states to use the System for Electronic Rate and Form Filing (SERFF) as part of the QHP submission and certification process in a State Plan Management Partnership Exchange.
- With Cycle II grant funding, plans are ongoing 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 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 intends to retain two contractual insurance analysts through FFY 2014 using Cycle II funds. There were three Insurance Analyst IIs, but one left at the end of December 2012.

*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 a more comprehensive system is in development. The Cycle II Grant Application, quarterly Reports, and

Annual Reports have been posted on the Department's website. In addition a Procedure Manual has been completed, and is assisting with staff training and reference. This manual has been posted on the internal webpage for internal staff use. The Procedure Manual has been updated with new regulations and guidelines. The new additions are awaiting senior staff approval and will then be added to the current version of the Manual, which is posted on the Department's internal website. The Procedures Manual is a living document and will be updated on a continual basis, as needed. Staff training will continue to reflect updates as they occur.

*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.

As mentioned in our last report, our Research Economist began working in May 2013 and has already completed his first reports which are based on loss ratios, rate increases, actuarial assumptions and some trend analysis on claims by company, aging by company, as well as lapse by company.

These reports are in the process of being reviewed by our senior staff, including our life actuarial staff. The Department is hopeful that these reports will be posted on its website in the near future.

## **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 and has been further renewed until February 2014. The Department was hoping to be able to apply for the new Rate Review Cycle III Grant to continue funding for its actuarial consulting firm after the contract ends in February 2014, but has not met all the requirements yet to apply for the Cycle III funding Grant due on August 1, 2013. The Department therefore hopes to apply for a no cost-extension of the current Cycle II funding when the current contract with the actuarial consulting firm ends in February 2014.

In addition the Department has hired an additional contractual actuarial consulting firm to assist the Department in performing the required actuarial reviews for the Exchange. This includes the Certification Reviews for proposed QHPs, including metal levels, as well as the initial rate filings for the QHPs. There are 165 proposed QHP plans filed, and the contractual actuarial firm has assisted with the capacity to cope with a relatively large number of QHPs that have been submitted. DOI is current with the latest guidance from CCIIO concerning Exchange and Rate

Review related issues, including the revisions to the Unified Rate Templates, and this has been incorporated into our review process. This contract will not be financed through the rate review grant.

An additional challenge the Department continues to encounter is the lack of explicit statutory authority to approve or deny premium rate filings. The Department will continue its efforts in this regard during the veto session or next legislative session. See details in the Obtain Authority to Approve or Deny Premium Rate Increases section further down in this report.

Another challenge that the Department experienced this Quarter was that, in addition to its regular functions, carefully reviewing 165 possible QHP plan, with a timeline of July 31, 2013 has been time-consuming. This has caused some of the activities discussed in this report to be temporarily delayed. However, these projects are all in progress, and we are confident that they will be complete, or almost complete, by the next reporting period.

### **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. The new reports submitted by the Research Economist will assist in these efforts.
- 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 collect rate filings through the System for Electronic Rate and Form Filing (SERFF) and the Illinois-specific Premium Rate Review Web Portal (“portal”). Accompanying each filing is a Rate Data Collection Form 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. The Actuarial Memorandum is required and is to contain the complete justification for the submitted rates, including background information, actuarial assumptions, and an explanation of the rationale for the requested rate action, as well as other relevant information.
- In addition, the Federal Unified Rate Review Template and Actuarial Certification must be included in each rate filing.
- The Department has been involved in weekly calls and webinars to understand the new system that HHS and NAIC have been working on to enable states to use the System for Electronic Rate and Form Filing (SERFF) as part of the QHP submission and certification process in a State Plan Management Partnership Exchange.
- With Cycle II grant funding, plans are ongoing 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 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 intends to retain two contractual insurance analysts through FFY 2014 using Cycle II funds. There were three Insurance Analyst IIs until the end of December 2012.
- 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 Rates for HMO plans are not filed through SERFF 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. The Department has implemented several upgrades to the Web Portal since its implementation. We have added filing criteria which defines the type of rate filing, such as open or closed blocks of business,

grandfathered or non-grandfathered, association group, etc. Also, the Department has upgraded the Web Portal for the new Actuarial Memorandum as required by the ACA for filings effective 1/1/2014 and after to go along with the Interrogatory page that has been in use already for filings effective up to 12/31/2013- the Web Portal determines which version of the Interrogatory page to display based off of the “Rate Change Effective Date” section under the Experience page. We have changed the ‘Rate Change %’ to be rounded after the one-hundredth of a decimal- previously had rounded after the one-tenth of a decimal. Especially in light of new policies being issued with the ACA QHPs, filers can now select from new Policy Forms when searching ‘Form Selection’ by their SERFF filings. The section “Rate %” has been removed from the Experience Assumption tab once the box is checked that the filing is for a new policy. Also, we have added the ‘Loss Ratio’ column to the Experience Year List tab, which is calculated by the Web Portal based on the input of the filer for ‘Earned Premium’ and ‘Incurred Claims’ for each ‘Calendar Year’.

- 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 two of the three contractual insurance analysts through FFY 2014 using Cycle II funds. The Department initially hired three contractual insurance analysts, but one left the Department at the end of December 2012.

## C. Collection of Data

Pursuant to Company Bulletins [2010-08](#) and [2011-02](#), the Department has received 31 rate filings in the Cycle II FFY13 Qtr. 3 grant period, and of those, 9 requested rate increases and were subject to review.

Of these 31 filings, 14 are pending review, 13 were filed, and 4 were withdrawn per company request.

## 2. Analysis of Premium Rate Data

### A. Identifying Analytics Goals

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

### B. Technical Capacity for Data Analysis

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

### C. Staffing Capacity for Data Analysis

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

The Department has recently been successful in moving forward with the process of hiring one Health Actuary II and a Health Actuarial Assistant.

The Department 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 2014.

As mentioned in our previous Quarterly Report, the Research Economist is an existing staff person who was reassigned to do analysis and reports based on rate filing data. His job description includes collecting data from rate filings received from carriers, generating reports that will be used for consumer outreach, financial and actuarial analysis, and ultimately work with the Exchange in monitoring the insurance market in Illinois. He began working on this analysis and reports in May 2013. He has already produced certain reports based on loss ratios, rate increases, actuarial assumptions and some trend analysis.

These reports are being reviewed by our senior staff, including our life actuarial staff. The Department is hopeful that these reports will be posted on its website in the near future.

### D. Conduct Analysis

The Department received 31 filings in the FFY13, Qtr 3 of Cycle II, 9 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".

## 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 31st, the General Assembly adjourned before action was taken on HB 1501. The Department has continued to work with the Governor's office and state legislators to pursue statutory authority to approve and deny rate increases in the current session. A new bill, HB 2736, was recently introduced in the current legislative session which would have created an independent quasi-judicial Health Insurance Rate Review Board to ensure insurance rates are reasonable and justified. Unfortunately the bill did not pass out of Committee. A third bill, SB 2344, was also introduced during this legislative session. This bill would have provided that in addition to filing premium rates, a company shall notify the Director of Insurance whenever a policy form has been closed for sale. It set forth provisions concerning health insurance premium rates and prior approval of the Director. Unfortunately, this bill also did not make it out of Committee. However, SB 34 (the Health Benefits Exchange bill), recently introduced in the Illinois Senate, contains language requiring all health plans that wish to be certified as QHPs to, at a minimum, fulfill all premium rate and contract filing requirements and ensure that no contract language has been disapproved by the Director, and charges the same premium rate without regard to whether the plan is offered through the Exchange and without regard to whether the plan is offered directly from the health carrier or through an insurance producer. The Department is working with legislators, consumer advocates and the Governor's office to strengthen the language in this bill directing the Director to approve or disapprove unjustified rate increases.
- 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 and implementation of a rate review “Report Card” to display rate information on its new rate filing webpage. The design of the Report Card is almost complete and the Department staff is working on different options as to how to populate certain fields on the Report Card with information from the web portal. While the Department is progressing on this project, it has been temporarily put it on hold because, with limited staff, and the QHP application process now in full swing, there has not been enough time to complete this task. However, this still remains a priority and the Department hopes to have it completed during the next Quarter.
- Our Premium Rate Review and Medical Loss Ratio Web Pages have been updated and made more consumer friendly. We have also posted Health Insurance Premium Group Coverage and Health Insurance Premium Individual Coverage on our Presentations Web Page. We have posted the Rate Review Brochure in 5 languages (English, Spanish, Polish Korean, and Chinese. The Grant Quarterly and Annual Reports have been posted on our Premium Rate Review Web Page. The Brochures have been printed (the Chinese version is currently being printed) and many have already been distributed in packets at two Rapid Response meetings in Carlyle, some made available at at a radio station in Sparta, some have been included in the packets at a Harrisburg storm recovery meeting and more will be included in a Rapid Response meeting on July 30th in Danville. In addition, there were over 500 attendees at a community event on July 24<sup>th</sup> in Decatur, sponsored by Representative Sue Scherer’s office, State Senator Andy Manar, along with workforce investment. The majority of those in attendance were former employees of large employers and others from the community who were seeking employment as well as information to help them through the transition. Calvin Green, a member of DOI’s Consumer Education staff passed out the Premium Rate Review Brochures and the Office of Consumer Health Information (OCHI) file folders that are normally passed out to those who are laid off.

We have just received approval from the Director to send out the remaining Rate Review Brochures to locations such as:

- [Legislator’s local offices](#)
- [Community Centers and or Non for Profits Agencies](#)
- [Within the other agencies that attend health fairs and outreach activities](#)
- [City hall, to be distributed to all 50 wards in Chicago and going into other large Metro cities and their elected officials](#)

- Cook County Commissioners' local office

We plan on distributing the Brochures to these locations during the next few weeks.

- In addition, the translating of the following documents into Spanish, Korean, Polish and Chinese have been translated and posted on the Department's Premium Rate Review and Medical Loss Ratio web pages,. The Department is finalizing plans to print these documents for distribution.
- How Rate Review works in Illinois
- Rate Review Q&As
- Rebates and the MLR Standard in the Individual Market o Rebates and the MLR Standard in the Group Market

During our conversation with James Taing on May 31, 2013, it was suggested that we separate our Premium Rate Review and Medical Loss Ratio web pages, which already contain translated materials, into separate web pages for each translated language. The Department has been working on how best to present these pages and believes that it would be best to wait until all the documents on these two web pages are translated before creating separate webpages for each language. This process will be one of our priorities and should be translated before the end of the next quarter.

Also during the 5th 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. Reports generated by the Research Economist will improve the transparency of information available to consumers, when posted on the 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, Chinese 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. See details in the previous paragraph. These efforts have begun and the cost so far has been \$3,643.30.

## 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. This process has been somewhat delayed due to QHP review efforts.

***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.

***Procedures Manual.*** The Department has completed a Procedure Manual on rate review to assist staff members in understanding the rate review process. The manual outlines the step-by-step procedures required by the Department to ensure accuracy and consistency. The manual has been posted to the Department's internal webpage.

The Procedure Manual has been updated with new regulations and guidelines. The new additions are awaiting senior staff approval and will then be added to the current version of the Manual, which is posted on the Department's internal website. The Procedures Manual is a living document and will be updated on a continual basis, as needed. Staff training will continue to reflect updates as they occur.

## **Public Access Activities**

## **Recommendations to the State Exchange on Insurer Participation**

Rate submissions are required under 215 ILCS 5/355. Rates will be submitted through SERFF. QHP rates must be set for an entire benefit year in the individual Exchange and for the plan year in the SHOP Exchange. In the SHOP Exchange, rate changes must be submitted to DOI for review. The current rate review process will continue to be followed for all rate changes. DOI will continue to collect rate filings and actuarial memorandums electronically through its rate review web portal. DOI is evaluating 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 DOI. DOI will notify CCIIO of the rate review results within the QHP recommendation.

Additionally, the rate review process is being 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. DOI will verify that the “same premium rate” is offered inside and outside the Exchange for the same plans. The rate review processes will be applied consistently for multi-state plans and CO-OPs to maintain a level playing field. The Financial-Corporate Regulatory and Life Actuarial Divisions in DOI will conduct rate review and will involve the Consumer Markets/Compliance unit to ensure DOI has the appropriate regulatory capacity.

## **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 to accommodate the delays in project activities associated with those experienced in the hiring process.

## **Premium Review Project Budget Narrative**

(Updated July 30, 2013)

### **Overall Budget**

The Illinois Department of Insurance (DOI) budget for FY2013 totals \$47,894,200. Actual annual revenue collected in FY2012 totaled \$458,684,926 (this amount includes the taxes collected and transferred to the General Revenue Fund).

### **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 FFY 2012 through FFY 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 FFY 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 did 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, travelled 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 FFY 2012 and 1.5 consultants funded at the same level for FFY 2013, for a total of \$810,000.

### **“Other” Category Spending**

#### **IT Upgrades**

Illinois participated 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). The Department expended \$20,856 for the cost for these upgrades.

### **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. As mentioned above, the Department's new Research Economist, began working in mid May 2013, and his responsibilities include, among other tasks, collecting the necessary data and identifying trends in the Illinois marketplace. The initial tasks for this person will be to provide reports based on loss ratios, rate increases, actuarial assumptions and some trend analysis. He has already prepared some reporting trends.

These reports are in the process of being reviewed by our senior staff, including our life actuarial staff. The Department is hopeful to be able to post these reports on its website in the near future.

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 is in the process of translating web-based databases, documents, reports and charts to Spanish, Polish, Chinese and Korean. The Department estimates the cost of these services to be \$35,835.00. The Department has already translated certain documents in Spanish, Polish, Korean and Chinese pertaining to Premium Rate Review and Medical Loss Ratio, incurring costs of \$ 3,643.30. These documents have been posted on the web pages. Please see information mentioned above regarding translating all the documents on the Premium Rate Review and Medical Loss Ratio web pages, and then separating the pages according to the different languages.

## **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 June, 2013)

### **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 an additional Health Actuary II. The Department plans on posting this position shortly. The Department has recently hired a Research Economist, to begin working in mid May 2013, 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.

- **The IT Staff** 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 Director, Yvonne Clearwater**

Yvonne Clearwater, Acting Deputy Director, Health Products will serve as the Project Director. The Project Director will assume the responsibilities associated with the logistics, coordination, contracting, and outreach of the project. The 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 July 30, 2013)

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.
- 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

- 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

- Post “Frequently Asked Questions” portion of the Department’s website to explain rate making and the rate review process.
- Post Rate Review webinar on the Department’s website.
- Post new visual rate review content for the Department’s website.

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 Partnership Exchange for sharing Department recommendations on issuer and plan participation.

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

July 2013

- Begin sharing with the FFE 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.”