



News

For Immediate Release

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Tufts Rate Factors Approved

Cranston, RI September 18, 2009 — The Office of the Health Insurance Commissioner (OHIC) announced today that it had approved rate factors for calculating large and small group health insurance premiums to be used by Tufts Health Plan (Tufts).

The approved rate factors would result in average annual premium increases of 8.5% according to estimates submitted by Tufts. The factors will be in effect for premiums charged to large groups (over 50 employees) for any consecutive twelve-month period that starts from January 1, 2010 through December 31, 2010. Small group rates are for groups commencing January 1, 2010 and ending December 31, 2010.

Previously, Tufts has submitted rate factors resulting in an increase of 9.7%. This submission, along with those of other carriers, was subsequently withdrawn at the request of OHIC, which cited affordability concerns.

These factors were submitted by Tufts to OHIC on August 28, 2009. OHIC then solicited public comments on the filing.

“The factors initially submitted by Tufts were significantly lower than United Healthcare and Blue Cross and Blue Shield of Rhode Island. These resubmitted factors further increased that difference and are lower than regional averages”, said Health Insurance Commissioner

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Christopher F. Koller. “This Office is called upon to balance competing demands between affordability, financial solvency and fair treatment of providers. I believe these factors strike that balance.” Koller went on to note that Tufts’ factors have no allowance for profit and project relatively small administrative costs. “Rate increases in general are driven by increases in medical expenses” he said, “Data and statements submitted by health plans show they have long-term contracts with providers, and high utilization of outpatient services: these will not change until we change the way providers are paid and organized and the way patients seek medical care. This involves all of us; providers, consumers, purchasers, health plans and public officials must work together. The current methods are not working; inaction by the health plans and public and private sector leaders guarantees this situation will worsen.”

Background:

At the direction of the Commissioner, on May 15, 2009 Blue Cross and Blue Shield of Rhode Island, Tufts Health Plan and United Health Care of New England filed for OHIC review the medical inflation, administrative costs and contributions to reserves rates (or “rate factors”) they planned to use to calculate commercial health insurance premiums for the end of 2009 and 2010. OHIC estimated the proposed rate factors would result in annual average premium increases varying from 13 to 16 percent, depending on plan and size of employer. These filings were released on the OHIC web site (www.ohic.ri.gov) on May 18, 2009 and public comment was solicited.

On June 17, 2009 Koller ruled on the proposed rate factors, refusing to approve any increase, and instead calling on the health insurers to withdraw their increase requests. Koller also told the health insurers that rate hearings would commence for each insurer on or before July 14, 2009 if the insurers did not take action. All three health plans withdrew their filings.

As part of the rate factor review, OHIC released unprecedented amounts of information to help the public understand what was responsible for proposed premium increases. According to OHIC analysis, while specifics varied by plan and line of business:

- Estimated increases in hospital payments and use drove up to 78% of the premium increases which would have resulted from the requested rate factors;

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- Estimated increases in physician payment and use drove up to 29% of the resulting premium increases; and
- Estimated increases in administrative costs, profits and contributions to reserves drove up to 44% of the resulting premium increases.

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About the Office of the Health Insurance Commissioner

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the state of Rhode Island. Under this legislation, the Office is dedicated to:

1. Protecting consumers
2. Encouraging fair treatment of medical service providers
3. Ensuring solvency of health insurers
4. Improving the health care system's quality, accessibility and affordability

The Office sets and enforces standards for health insurers in each of these four areas.

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