

News

For Immediate Release

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Rate Factor Decisions Announced

Cranston, RI July 7, 2010 Health Insurance Commissioner Christopher F. Koller announced today that he has approved rate factors for Rhode Island's commercial health insurers to be used for calculating commercial health insurance rates for employer groups purchasing their health insurance in 2011. The approved rate factors would result in estimated average rate increases between 8.4% and 12.3 % for businesses renewing their insurance contracts, before any changes in benefits or in the demographic characteristics of the employers. Commissioner Koller's decision also imposes new conditions on certain provider contracting practices of the insurers to attempt to address underlying cost factors.

The approved rate factors result in average rate increases of between 3.6 and 1.4 percentage points less than the amounts originally requested by insurers. The following table provides detail by insurer and employer group size.

Estimated Average Annual Rate Increases for 2011 Renewals Before Changes in Demographics and Benefits

	Blue Cross and Blue Shield of Rhode Island		United Health Care of New England and United Health Insurance Company		Tufts Health Plan	
	Requested	Decision	Requested	Decision	Requested	Decision
Small Group (1-50)	12.4%	9.8%	15.5%	12.3%	12.4%	11.0%

	Blue Cross and Blue Shield of Rhode Island		United Health Care of New England and United Health Insurance Company		Tufts Health Plan	
	Requested	Decision	Requested	Decision	Requested	Decision
employees)						
Large Group (51+)	13.2%	9.8%	11.7%	8.4%	11.6%	10.2%

The rate factor components submitted by the health insurers consist of projected administrative costs, profit or surplus margins, and price and utilization inflation rates for four separate medical service categories. Koller recommended adjustments to these components based on public comment and analysis by OHIC staff of the submissions relative to standards promulgated by the Office. The plans had the option of accepting the adjustments and refiling their requests or requesting a formal rate hearing.

Koller made reductions to Blue Cross and Blue Shield of Rhode Island’s proposed administrative costs, contributions to reserves and hospital costs. United received reductions in proposed profits and several medical cost areas. A complete table of OHIC recommendations is available at www.ohic.ri.gov.

“The rate factors represent a balance between solvent insurers, adequately compensated providers and rates of increase that risk making health insurance even less affordable,” said Commissioner Koller.

“The rate factors, however, are not as affordable as they should be,” he continued. “The data presented to OHIC and available for the public to see is clear – health insurance is expensive because medical care is expensive. Health plans predicted rates of increase for hospital services alone of up to fourteen percent. Affordable rates of increase will not occur until we change the way our medical care is organized and delivered.”

In an attempt to address this, Koller’s decision sets forth six conditions that new contracts by the health plans must meet. These conditions require efficiency-based units of payment for services; set an annual maximum price increase for services; require

contracts to have quality incentives, administrative efficiency standards; provider communications standards and public access to these terms. If these conditions are not met by the health plans, the Commissioner can take actions he deems appropriate.

“The private contracting model in Rhode Island is partially responsible for high rates of price and utilization driving health insurance premiums. So long as we pay providers to perform procedures regardless of quality, that is exactly what we will get. These conditions make it clear that provider payment reform is a priority in Rhode Island and that health insurers will be expected to achieve that with hospitals.”

The rate factors approved were for new contracts and renewals effective during 2011. In March of this year, health insurers had rate factors approved for business starting or renewing in the third and fourth quarters of 2010.

Information on the insurers filings, the filed versus approved rate factors, the contractual conditions, public comment and other background documents are all available at www.ohic.ri.gov.

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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.

www.ohic.ri.gov