



News

For Immediate Release

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Health Plans Withdraw Rate Filings

Response to Request from Health Insurance Commissioner

Cranston, RI July 3, 2009 — The Office of the Health Insurance Commissioner (OHIC) announced today that in response to a request from Health Insurance Commissioner Christopher F. Koller the three major commercial health plans have withdrawn previously filed requests for rate increases. The action by Blue Cross and Blue Shield of Rhode Island reverses its decision of last week.

“I am pleased that all three health plans recognize the gravity of the situation facing employers in Rhode Island”, said Koller. “However, this is only a temporary reprieve. Health insurance costs continue to rise and health insurers, providers, consumers and public officials in Rhode Island must work to change the system that is making healthcare unaffordable for too many people.”

At the direction of the Commissioner, on May 15, 2009 Blue Cross and Blue Shield of Rhode Island, Tufts Health Plan and UnitedHealthcare 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 insurer 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.

“The effect of this is a temporary rate freeze, from October 1st for small employers (with 50 or fewer employees) and January 1st for large employers,” Koller said. “Businesses buying or renewing health insurance plans after that date will pay the same base rates charged to businesses who purchased or renewed health insurance in the last approved month, September 2009 for small group plans and December 2009 for large group plans.” (The only exception is Tufts Health Plan, which had rate factors approved through the end of the year in the small business market). “We have asked the health plans not to re-file new rate factor for at least six months and expect them to comply with this request,” Koller continued.

As part of the rate factor review, OHIC released unprecedented amounts of information to help the public better understand what costs were responsible for the premium increases that would result from the proposed rate factors. According to OHIC analysis, while exact impact varied by plan and line of business:

- Estimated increases in hospital prices and use were responsible for approximately 50% of the premium increases which would have resulted from implementation of the requested rate factors;
- Estimated increases in physician prices and use were responsible for approximately 20% of resulting premium increases; and
- Estimated increases in administrative costs, profits and contributions to reserves were responsible for approximately 30% of resulting premium increases

“This freeze is only a temporary reprieve,” Koller said. “While insurer administrative costs and profits must be watched carefully, eighty to eighty five percent of health insurance premiums are for medical costs. If employers and individuals do not want to see the relentless increases in their health insurance premiums, we must change

the way medical services are organized, paid for and used. This change will not happen in the six months before health insurers re-file their rate factors, but inaction by the health plans and public and private sector leaders guarantees this situation will worsen.”

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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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