



**PRESS RELEASE
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**OHIC Approves Commercial Health Insurance Contracts, Rates and Rate Factors
Next Step in Implementation of Affordable Care Act in Rhode Island**

Cranston, Rhode Island, June 28, 2013- Today Health Insurance Commissioner Christopher F. Koller announced his final decision to approve significantly lower premium increases for individuals and small and large employers that purchase their coverage through Blue Cross Blue Shield of Rhode Island (BCBSRI), Neighborhood Health Plan of Rhode Island (NHPRI), Tufts Health Plan (Tufts) and United Healthcare (United).

Commissioner Koller also reviewed each health insurer's contracts to ensure plans sold in Rhode Island meet benefit, access, and member cost sharing standards required by the State and the Affordable Care Act (ACA).

The review was for products to be sold in Rhode Island for coverage commencing in 2014.

Contract Review

OHIC approved 212 plan designs, or forms that describe a health plan's specific benefit, physician network and member cost sharing structure.

The review process represents a major shift from previous years: as required by the ACA, the Office of the Health Insurance Commissioner (OHIC) now reviews the subscriber contract (plan design) for each individual or small group health plan sold by an insurer in the individual and small group market, rather than one model contract for each health insurer product. The standards for this new review are broader – and include compliance with existing state law (including OHIC and Department of Health regulations) and federal law, including provisions in the ACA such as Essential Health Benefits (EHBs). The result is a more thorough and accountable process. Large group review remains the same from previous years and will finish in the early fall. The table below shows the number of contracts – one per plan – that OHIC approved in each market.

	Approved Health Plan Designs		
Insurer	Individual	Small Group	Total
BCBSRI	11	26	37
NHPRI	2	2	4
Tufts		13	13
United		158	158
Total	13	199	212

Rate Review

OHIC's review of proposed rates and rate increases covers health plans sold to individuals and small and large employers.

Similar to the contract review process, the ACA changed the way states review premiums in the individual and small employer markets. Some of the significant differences include:

- Standard submission templates
- Approval of the monthly premium rather than the annual rate of increase. This dollar amount, the Essential Health Benefit (EHB) Base Rate, reflects how much a 21-year-old member would be expected to pay for a standard health plan.
- OHIC approves a factor for each health plan that reflects the plan's specific benefit design and is one component of the final premium
- Standard, federally defined factors that can be applied to the EHB Base Rate for age and family size
- A explicit monthly inflation factor that reflects the growth in medical pricing throughout the year

With the exception of Blue Cross's individual health plans, all reviews were conducted under OHIC's rate review process. Blue Cross individual health plans by law are subject to a more formal rate review hearing, which has also been completed.

"The decisions on these rates for the individual and small group markets, and rate factors for the large group market, signals the culmination of an intensive and comprehensive three month process," said Commissioner Koller. "As a result, Rhode Islanders can better compare plans, and be assured that consistent standards of review are applied to all lines of business and no group suffers or benefits at the expense of another."

With final forms and rates approved, the next step for the Exchange is to enter into final discussions around what plans will be offered on the Exchange. Upon conclusion of this process, qualifying plans will be approved for inclusion on the Exchange. Open enrollment for individual plans begins October 1, with coverage for these plans starting January 1, 2014. Open enrollment for small group plans also begins on October 1 but renewal occurs throughout the year depending on when an employer's plan is up for renewal. For individual and small employer plans not sold on the Exchange and for plans sold to large employers, enrollment will follow patterns from previous years and rates will apply to those renewing in 2014.

Commissioner Koller's final decision will result in EHB Base Rates that range from \$311.88 to \$371.41 for BCBSRI, NHPRI, Tufts, and United individual and small employer subscribers who purchase insurance in 2014. In the large employer market, approved rates of increase range from 9.7% to 12.0%.

2014 Individual and Small Employer Essential Health Benefits Base Rates: Requested and Approved

Insurer	Requested	Approved
BCBSRI	\$330.97	\$313.85 ¹
NHPRI	\$344.68	\$311.68

Insurer	Requested	Approved	Monthly Inflation Factor ²
BCBSRI	\$355.97	\$347.58	0.588%
NHPRI	\$327.74	\$324.58	0.487%
Tufts HMO	\$375.11	\$368.87	0.501%
Tufts PPO	\$377.72	\$371.41	0.501%
United HMO	\$375.38	\$344.44	0.514%
United PPO	\$368.03	\$348.31	0.514%

2014 Large Employer Average Expected Premium Increases: Requested and Approved

Insurer	Requested	Approved
BCBSRI	17.10%	12.00%
Tufts	10.00%	9.55%
United	13.00%	9.70%

The premiums charged by insurers to individuals and small and large employers are driven by each insurer's: estimated medical expenses, administrative costs, and contributions to reserves and profit. This year's premiums also include one-time increases to account for ACA fees, and the effects ("morbidity factors") of estimated demographic changes with enrollment fluctuations in the individual and small group markets.

These factors for demographic changes take into account the estimated health needs of the newly insured, including potential "pent-up demand" in the first year of coverage. Insurers also anticipate some movement of enrollees between the small employer and individual market, which would affect the average health need of each risk pool.

OHIC reviews these components with the goal of holding Rhode Island insurers publicly accountable for making health insurance more affordable—concluding with Commissioner's Koller's final decision approving the base rates or average expected premium increase for the next year.

¹ Pending final verification. OHIC will review BCBSRI documentation to support approved factors in Com. Koller's order.

² The EHB base rate is for business sold effective January 1, 2014. The Monthly Inflation Factor is the allowable amount the base rate may increase for new business issued in each successive month.

In the individual and small group markets, the EHB Base Rate represents the premium for a 21-year-old. Final rates will differ based on a subscriber's age and the benefits he or she chooses. In the large group market, the expected premium increases are averages—employers will see higher and lower rates depending on demographic changes in their workforce and their own company's rates of medical care utilization. "Employers and individuals will have more choices that will be clearer to them. They will still need to consult with their health plan advisors to determine what the best choices will be for them," said Koller.

Commissioner Koller's final decision includes the following changes to each insurer's medical expenses, administrative costs, and contributions to reserves and profit. For NHPRI's individual market request, OHIC approved lower-need demographic estimates for the newly insured and lower contributions to reserves than NHPRI has proposed. For BCBSRI individual market, the hearing officer lowered BCBSRI's morbidity adjustment and medical trend and the Commissioner accepted these recommendations. In the small group market, OHIC lowered medical trend for BCBSRI and United and administrative costs for all insurers except NHPRI. OHIC also reduced or spread United's estimate of some marketplace changes evenly over both of its product lines (HMO and PPO).

In the large employer market, OHIC approved lower medical expenses for BCBSRI and United and lower administrative costs for all three insurers. OHIC also lowered United's contribution to reserves and BCBSRI's treatment of federal income taxes.

As this year's rate decision shows, the rising cost of medical care – the prices insurers pay to providers for particular services and the number of services members use – continues to be the main driver of health insurance premium growth. OHIC approved medical expense trends from 5.8% to 7.6% across the markets.

"Next year's rates reflect one time changes due to the implementation of the Affordable Care Act", Koller said. While the work of implementing the ACA continues, Rhode Island cannot be distracted from the real task of reducing the rate of medical expense trend growth in our state. This will only come with efforts to promote more integrated delivery systems that can better coordinate care, different ways of paying providers and more engaged consumers. This is hard work that will require private and public sector leadership. We are taking important first steps with our work on primary care, health information technology and payment reform, but much more needs to be done. "

To support this effort, OHIC's decision also modified conditions that each insurer must use in its contracts with hospitals. These conditions include a limit on the amount prices can increase annually and thresholds for quality-based performance incentives. With more than 82% of premium spent on medical care, the conditions provide reasonable mechanisms for both controlling medical spending and ensuring high-quality care.

"I want to thank the insurers for their cooperation during this review process, my staff for their hard work and my colleagues in state government for their collaboration. Although there is much work to be done, Rhode Island can be proud of its efforts to use the tools of the ACA to promote lasting, positive change for our health care system, guided by the Triple Aim: better health and more satisfied patients at lower costs."

The ACA includes reforms that, in combination with OHIC's rate review process, contribute to a more rational, affordable, and high-quality health care system. Insurance market reforms and financial assistance offer better

consumer protection from unaffordable medical care and periods of being uninsured. The Health Benefits Exchange offers individuals and small employers both choice among plans and affordable access to health insurance. State-led innovations in health delivery reform, sponsored by the Centers for Medicare and Medicaid Innovation and the Patient-Centered Outcomes Research Institute offer opportunities to permanently bend the cost curve and disseminate best practices by changing the way we pay for and deliver medical care.

For more information, please visit www.ohic.ri.gov.

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About the State of Rhode Island Office of the Health Insurance Commissioner

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

1. Protecting consumers
2. Guarding the solvency of health insurers
3. Encouraging the fair treatment of health care providers
4. Improving the health care system as a whole

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