



News

For immediate release

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Blue Cross agrees to change rating methods to comply with law

Providence, Rhode Island, September 4, 2008 – Health Insurance

Commissioner Christopher F. Koller announces a settlement agreement in which Blue Cross agrees to change its rating methods to comply with the law.

At issue was Blue Cross' rating methods for small employers – those employers in the state with 50 or fewer eligible employees. Insurers in the market are allowed to vary the rates for small employers according to a limited number of factors set out in the Rhode Island General Laws, including a so-called “health status factor”.

Upon accepting the settlement agreement, Commissioner Koller noted, “Health status factor has proven problematic. UnitedHealthcare of New England in 2006 and now Blue Cross have demonstrated that the 2008 legislature was right in removing health status as a rating factor.”

In 2007, OHIC chaired a small employer market task force of brokers, employers, consumers and insurers, which concluded that health status factor should be removed as an allowed rating factor.

In the 2008 Rhode Island legislative session, a bill sponsored by Senator Joshua Miller and Representative Edwin R. Pacheco passed that put an end to health status as a small employer rating factor for all insurers as of January 1, 2009.

By statute, the health status factor has allowed insurers to vary an employer's rate by up to 10%. If a group had the most favorable health status factor one year and the least favorable health status factor the following year at renewal, the group would see a 22% increase based on health status factor alone.

Based on documents made public by Blue Cross in the Spring of 2008 and initial findings of a market conduct examination, the OHIC determined that Blue Cross was applying the health status factor inappropriately.

In July, the OHIC issued a letter to Blue Cross that explained how the insurer's rating methods were not appropriate. The letter also provided guidance as to how the insurer should come into compliance. Blue Cross responded in a letter by asserting that OHIC did not have the authority to compel compliance with the law, and arguing that the insurer was compliant with rating laws.

As a result of Blue Cross' response, OHIC issued an Order requiring Blue Cross to demonstrate at a hearing why the OHIC should not require the following actions by Blue Cross:

- to cease and desist from using its rating methodology;
- to pay restitution to its customers;
- to pay penalties; and
- to take such necessary actions to ensure lawful compliance.

Rather than proceed with a hearing, Blue Cross opted to enter into a settlement agreement. The terms of the agreement include the following:

- agreement by Blue Cross to alter how it applies the health status factor going forward;
- stipulation that the agreement places no restriction on future or ongoing OHIC regulatory activities, like the ongoing market conduct examination; and
- Blue Cross admits to no wrongdoing.

Commissioner Koller stated, “This agreement addresses Blue Cross’ rating methods moving forward. My staff is currently finishing its market conduct examination of Blue Cross’ past use of the health status factor. That exam should conclude sometime this Fall. Once an examination report is written, the Office will take appropriate action, based on the report findings.”

For more information, including the letters referenced above, past market conduct examination reports and links to the health status related bills of 2008, please visit <http://www.ohic.ri.gov/>.

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. <http://www.ohic.ri.gov>