



# NEWS

## *For Immediate Release*

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## Office of the Health Insurance Commissioner Issues Order on Small Group Rating Practices by Blue Cross

*Insurer agrees to restitution and fine based on its application of the Health Status Factor*

Cranston, RI March 19, 2010 — The Office of the Health Insurance Commissioner (“OHIC”) today announced that Blue Cross and Blue Shield of Rhode Island has agreed to pay restitution and an administrative penalty based on the findings of a market conduct examination of the company’s rating practices in the small employer market, which includes employers with 50 or fewer employees.

The market conduct examination was initiated in 2008 due to concerns that Blue Cross was not correctly applying a so-called health status rating factor when determining premiums for its customers in the small employer market. The health status rating factor, which was banned by the General Assembly effective January of 2009, allowed an insurer to adjust a group’s rates by +/-10% based on an evaluation of the group’s overall health. The examination found that Blue Cross’s rating formulas set the health status too low for most groups and too high for others, which lead to many groups being undercharged and some groups being overcharged.

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According to the terms of the settlement, Blue Cross must provide restitution to over-charged groups and pay a fine of \$325,000. The restitution amount is estimated to about \$1.8 million.

“The health status rating factor was difficult to administer, unfair to people in poor health and subject to the kinds of misapplication documented in this examination. The results of the examination justify the General Assembly’s prohibition of further use of the rating factor by Rhode Island health insurers,” said Health Insurance Commissioner Christopher F. Koller.

In an earlier and separate examination, OHIC had found UnitedHealthcare of New England also violated rules regarding the application of the health status rating factor.

The fine is the largest administered by OHIC or its predecessor agency, the Department of Business Regulation for a health insurer. Under the terms of the settlement, Blue Cross will complete restitution payments by December 2010. Small employers with questions should contact their broker or Blue Cross directly.

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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