



## Statement on Health Insurance Rate Review Requirements

One of the important protections for health insurance consumers contained in the federal Affordable Care Act is the new requirement establishing a process for review of increases in health insurance premiums. Regulations recently issued by the U. S. Department for Health and Human Services propose that after July 1, 2011 rate increases of 10 percent or more a year be considered "subject to review." The review process would then determine, based on an actuarial analysis of documentation provided by the insurer, if the proposed increase is unreasonable.

Kentucky is ahead of the game in that state law already requires the Commissioner of Insurance to review health insurance premiums and provides the Commissioner with the authority to disapprove rates found to be unreasonable and to order refunds to consumers if necessary.

While most Kentuckians with private health insurance are covered by employer plans exempt from state regulation, adequate rate review is critical for the thousands of Kentuckians who buy coverage for themselves or for their employees in the commercial market. As the KY Department of Insurance considers changes to the current health insurance rate review process in light of the new federal requirements, Kentucky Voices for Health offers several recommendations:

- **Promote Transparency:** The health insurance rate review process must be as transparent as possible. Towards this end, KVH recommends that Kentucky develop a web-based tracking process that provides key information about all proposed health insurance rate increases filed with the department, not just those proposing an increase of 10 percent or more. KVH also believes that an annual report on health insurance rates in Kentucky would be enormously helpful to consumers. Such a report could summarize rate increases in the past year and provide a breakdown of how health insurance premium dollars are being spent (percent going to health care, profits, administration, advertising, etc.).
- **Boost Expert Review Capacity:** KVH recommends that a significant amount of the \$1 million grant Kentucky received for health insurance rate review be used to hire additional health insurance actuaries to review all proposed health insurance rate increases, not just those proposing an increase of 10 percent or more. Kentucky law clearly provides for the disapproval of a rate increase, regardless of the amount of the increase, if it is found to be unreasonable. Having sufficient actuarial assistance is critical if the department is to ensure that rates are justified based on evidence submitted by insurance companies.

- **Use Public Hearings Where Indicated:** The Commissioner of Insurance also has the authority to hold a public hearing on a requested rate increase, in conjunction with the Attorney General. If a significant rate increase is requested that affects a large number of Kentuckians, we believe there is great benefit to the public in requiring the insurance company to provide justification in a public forum.
- **Keep the Attorney General Involved:** For the past 15 years, Kentucky law has required insurance companies to file a copy of all rate increases with the Kentucky Attorney General. As the state's chief consumer advocate, the Attorney General has the legal authority to request the Insurance Commissioner to hold a hearing on rate requests that do not comply with state law. KVH believes the role of the Attorney General in health insurance rate review is an important part of the process and should be maintained.

Health insurance rates can be an exasperating and anxiety-producing mystery to consumers and employers faced with annual double-digit premium increases. A thorough, transparent state review process, with adequate actuarial assistance and legal support from the Attorney General, can help to demystify health insurance rates for the public. Further, the process can provide some assurance that the hard-earned health insurance dollars paid by working families in Kentucky are going for actual health care and not excessive profits.