

# Health Insurance Rate Review Grant Program Cycle I Quarterly Report

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**Submission Date:** February 28, 2011

**State:** South Carolina

**Project Title:** South Carolina Rate Review/ IT Infrastructure Grant

**Project Quarter Reporting Period:** Quarter 1 (08/09/2010-12/31/2010)

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# Health Insurance Rate Review Grant Program

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### **PART I: NARRATIVE REPORT FORMAT**

#### **Introduction:**

The Patient Protection and Affordable Care Act (PPACA) requires the states and the Secretary of Health and Human Services to establish a process for the annual review of unreasonable increases in health insurance rates beginning in the 2010 plan year. Only individual health insurance rates and some group health insurance rates are currently subject to prior approval in South Carolina. South Carolina law does not require most group health insurance rates to be reviewed prior to their use. Thus, this grant provides South Carolina a unique opportunity to assess and enhance its current rate review process.

The goals of this project are:

- 1) to establish a process for the comprehensive annual review of health insurance premiums to protect consumers from unreasonable, unjustified and/or excessive rate increases
- 2) to analyze the potential for abusive rating practices in different segments of the health insurance market;
- 3) to enhance our systems to enable us to capture required data, aggregate data, report critical information about health insurance rate filings;
- 4) to automate our process for reviewing rate filings; and
- 5) to review trends and rating practices in the individual as well as the small and large group health insurance market to help develop policy initiatives and make recommendations aimed at ensuring health insurance rates charged within the state are fair and reasonable.

#### **Program Implementation Status:**

##### **General Status:**

The grant was awarded to the South Carolina (SC) Department of Insurance (DOI) in August of 2010. Shortly thereafter, work on the IT infrastructure enhancement component commenced under the direction of the grant principal investigator (PI), Leslie Jones. At that time, the PI and the department's human resource (HR) administrator also began working on the plan to hire the program manager. In late September 2010, the position was created and posted on the State's HR web site. Dr. J. Keith Rodgers accepted the position on November 24, 2010 and reported to work at SCDOI on December 17, 2010.

##### **IT/Infrastructure Enhancement Status:**

The majority of the work completed under the grant in this first quarter pertains to the IT infrastructure enhancements. At the time, the state accepted both electronic (that is, through the National Association of Insurance Commissioners (NAIC) System for Electronic Rate and Form Filing (SERFF)) and hard copy filings. Through the enhancements specified in the grant application, the Department will require all filings to be submitted through SERFF. Further, the Department seeks to have access to the data that is collected through SERFF for in-house analytics through a custom designed application programming interface (API). The overall goal of this component of the grant is to improve the Department's process for review of rate filings.

#### ***1. Accomplishments to Date:***

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For the SERFF API – DOI system integration, the Department’s information resource management unit (IRM) has completed the following phases of the project:

- Requirement analysis
- Functional specification
- System architecture/high level design
- Detailed design
- Framework development
- System development

For the internal website (so that DOI users may access data stored in the DOI database), the IRM has completed the following phases of the project:

- Requirements analysis
- Functional specification
- System architecture/high level design
- Detailed design
- Framework development

### ***2. Challenges and Responses:***

The API and associated internal website programming was very complex and the integration was labor-intensive. Interactions with NAIC/SERFF regarding the requirement analysis and functional specification development required much attention to detail.

We found the following to be true for technical work with NAIC/SERFF:

- The intricate nature of NAIC’s SERFF API called for more of their technician’s assistance than planned.
- Communications with NAIC’s technician sometimes took more time than expected.
- Issues with SERFF’s beta environment required programming rework at IRM.

### ***3. Variations from the Original Timeline:***

Difficulties in programming, combined with end of the year holiday vacations and the complexities of working with SERFF brought somewhat slower progress than originally expected for this component. The delay is small and will not jeopardize the outcome of this objective.

## **Significant Activities: Undertaken and Planned**

### **Significant Activity #1: IT/Infrastructure Enhancement**

#### **Undertaken activities**

Internal testing of the SERFF API – DOI system integration is underway. One round of testing has yielded some bugs which are being fixed.

#### **Planned activities**

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Phase I – Continuing SERFF API – DOI system integration.

Phase II – Further integration and internal website enhancements as planned.

Phase III – As federal requirements of rate attributes/fields are defined, further automation of the rate review process, and public access to rate review information, will be programmed.

### **Significant Activity #2: Actuarial Review**

#### **Planned activities**

SCDOI will engage a consulting actuary to: 1) conduct a comprehensive review of all health insurance rate increases/filings in South Carolina to determine whether the rates being charged for this coverage are reasonable in relation to the benefits based upon the guideline loss ratios and the standard developed by the Secretary for unreasonable rate increases; and 2) to review, enhance and modify as necessary the Department's rate review process to ensure that health insurance rates are fair and reasonable. The consulting actuary will also recommend enhancements to the SCDOI website to allow for greater public access of rate review information.

#### **Operational/Policy Developments/Issues**

Policy Development: In November 2010, South Carolina elected a new governor, Nikki R. Haley.

#### **Public Access Activities**

While enhancements to our website to improve access are planned for future quarters, these fall within the scope of the work to be undertaken by the consulting actuary.

#### **Collaborative efforts**

To program the API, the IRM staff collaborated closely with the project team as well as NAIC/SERFF.

#### **Lessons Learned**

Future technical work with NAIC/SERFF will require allocating more time to complete.

#### **Updated Budget**

SCDOI submitted the attached Federal Report Form 425 for the first quarter of the grant period. As of 12/31/2010, the only expenditures charged to the grant were for the programmers' time in association with the IT/Infrastructure Enhancements for a total of \$19,462.00.

It was necessary to revise the program budget due to indirect costs not being calculated in the application and because of adjustments in the scope of work pertaining to project staffing. Please see table 1 for a revised outline budget for the program.

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Table 1: Revised Outline Budget for SCDOI Rate Review/IT Infrastructure Grant

<b>SCDOI Rate Review/IT Infrastructure Grant</b>		
<b>Direct Costs</b>		
	Actuarial services consulting	\$550,604
	IT/Infrastructure enhancements	\$200,000
	Personnel	\$160,000
	Equipment	\$14,800
	Office space	\$29,000
	Travel	\$7,500
<b>Total Direct Costs</b>		<b>\$961,904</b>
<b>Total Indirect Costs</b>		<b>\$38,096</b>
<b>Total Budget</b>		<b>\$1,000,000</b>

### Updated Work Plan and Timeline

The following tasks were undertaken according to the grant in 2010:

Milestone	Estimated Completion Date	Status
Requirement analysis: Requirements gathering; Meetings with project team; Review current business rules; Review current client/server application; Review current SERFF application; Mapping data elements	22-Sep-2010	Completed
Webservice prototyping: Build a design model of the proposed business process/work flow	24-Sep-2010	Completed
Functional specification: Develop a document that incorporates the requirements gathering, business rules, mapping data elements, new attributes, reports, etc.	15-Oct-2010	Completed
High level design: System components; System flow; Database design; Migration planning	21-Oct-2010	Completed
Detailed design: Application framework classes;	5-Nov-2010	Completed

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Database elements: Environment configuration		
Construction (Development): API interface; Web application (funded by SCDOI)	12-Dec-2010	API Interface Completed Web Application (40%)
System testing (IT): Develop test cases; Beta testing	10-Dec-2010	Test Cases Completed Beta Testing (API Import) began 06-Dec-2010
Bug fixing (round 1)	13-Dec-2010	Incomplete as of 31-Dec-2010
User acceptance testing	20-Dec-2010	Incomplete as of 31-Dec-2010
Bug fixing (round 2)	23-Dec-2010	Incomplete as of 31-Dec-2010

**Enclosures/Attachments: (1)**

Federal form 425 submitted by SCDOI for the rate review grant: Federal\_form\_425\_SCQ1.pdf

**PART II: HEALTH INSURANCE RATE DATA COLLECTION**

Submitted through SERFF.