

Health Insurance Rate Review Grant Program Cycle I Quarterly Report

Submission Date: April 29, 2011

State: South Carolina

Project Title: South Carolina Rate Review/ IT Infrastructure Grant

Project Quarter Reporting Period: Quarter 2 (01/01/2011-03/31/2011)

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PART I: NARRATIVE REPORT

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, and 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:

Work continues as planned on the rate review grant. In quarter 2, the South Carolina (SC) Department of Insurance (DOI) information resource management (IRM) unit completed phase I grant funded information technology (IT) enhancements as specified. Phase II enhancements are also complete. Further, the Department set into action the plan to select the actuarial consultant for rate review analyses.

IT/Infrastructure Enhancement Status:

In this second quarter of grant work, the IRM unit has approached completion of the IT infrastructure enhancements as specified in the grant application. IRM has delivered the SERFF API – DOI system integration module to the business unit for User Acceptance testing and sign-off. The system is on target for deployment (going live) on April 29, 2011. To fully take advantage of these enhancements, the Department has set July 1, 2011 for the date that all filings must be submitted through SERFF.

1. *Accomplishments to Date:*

For the SERFF API – DOI system integration, the IRM unit has completed the following phases of the project:

- Requirement analysis
- Functional specification

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- System architecture/high level design
- Detailed design
- Framework development
- System Development
- System Testing
- Production Dry Run

For the internal website (funded by DOI), the IRM has completed the following phases of the project:

- Requirements analysis
- Functional specification
- System architecture/high level design
- Detailed design
- Framework development
- Search (filings and rejects) and reporting capability

2. Challenges and Responses:

Testing by end users necessitated a number of change requests to the programmer. These requests reflected both changes in practice at DOI and refinement of the tool. The business unit and IRM group worked to accommodate these requests.

3. Variations from the Original Timeline:

Due to the change requests for the web tool, the date of deployment was delayed to April 29, 2011.

Actuarial Review Status

1. Accomplishments to Date:

Much of the second quarter was spent considering the requirements for the consulting actuary and developing the request for proposals (RFP). This RFP was delivered to selected consulting actuarial firms on March 18, 2011 with a return deadline of April 8, 2011.

2. Challenges and Responses:

The RFP process proceeded as planned. While there was considerable time spent in the development of the RFP, the final document was well-received by the consulting actuaries who were appreciative of the relative brevity and process that was laid out for them. The project manager spent time in the latter half of March in communication with the actuarial firms as they prepared their proposals.

3. Variations from the Original Timeline:

It is possible that the consulting actuary's work may extend past September 30, 2011, dependent upon the rate that carriers provide data for analyses as well as time necessary to properly analyze the data. We will develop a detailed timeline with the consulting actuary as a matter of first importance and will proceed accordingly (for example, apply for no-cost extension).

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Significant Activities: Undertaken and Planned

Significant Activity #1: IT/Infrastructure Enhancement

Undertaken activities

IRM has delivered the SERFF API – DOI system integration module to the business unit for User Acceptance Testing (UAT) and sign-off and will address change requests up until deployment of the system, which is on target for deployment (going live) on April 29, 2011.

Planned activities

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

Undertaken activities

SCDOI has solicited proposals to conduct the actuarial work specified in the grant proposal:

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. Proposals are due at SCDOI on April 8, 2011.

Planned activities

SCDOI will select the consulting actuary in early May 2011, with work to begin immediately.

Operational/Policy Developments/Issues

Policy Development:

In early January 2011, Nikki R. Haley was sworn in as Governor of SC. In late January 2011, David Black was appointed as Director of the SCDOI.

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

The IRM staff collaborated closely with the project team as well as SCDOI end users to ensure that the programmed products meet their needs. The program manager worked extensively with the candidate consulting actuarial firms as they prepared their proposals.

Lessons Learned

For the IT enhancements component of the grant work, the plan should have included dedicated time to accommodate change requests from the business unit (end users) for a more realistic schedule.

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Updated Budget

SCDOI submitted the attached Federal Report Form 425 for the second quarter of the grant period. As of 03/31/2010, the total grant expenditures were \$120,424.26 as enumerated by category below:

Expenditure Category	Cumulative Expenditures as of 3/31/2011
Personnel	\$26,894.17
Contractual Services	\$84,636.60
Data Processing Equipment	\$6,593.36
Non-Capital Equipment	\$2,300.13
Total Expenditures	\$120,424.26

Grant funds have been spent as proposed, with exceptions as given in the first quarterly report (that is, accounting for fringe benefits and indirect costs).

Updated Work Plan and Timeline

The following tasks were undertaken according to the grant from 1/1/2011-3/31/2011:

1. The SERFF API interface was completed.
2. The web tool for access to the data collected by the SERFF API interface is 90% complete as of 3/31/2011, with sign-off and deployment scheduled for April 29, 2011.
3. The RFP to select the consulting actuary as described in the grant proposal was delivered on March 18, 2011, with a return date of April 8, 2011.
4. We will select the consulting actuary in early May 2011, with work to begin immediately. The consulting actuary will assist in creating the final timeline for the grant-related work and will be included in the next report.

Enclosures/Attachments: (1)

Federal form 425 submitted by SCDOI for the rate review grant: Federal_form_425_SCQ2.pdf

PART II: HEALTH INSURANCE RATE DATA COLLECTION

Submitted through SERFF.