

Health Insurance Rate Review Grant Program Cycle I Quarterly Report

Submission Date: October 31, 2011

State: South Carolina

Project Title: South Carolina Rate Review/ IT Infrastructure Grant

Project Quarter Reporting Period: Quarter 4 (07/01/2011-09/30/2011)

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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 4, the South Carolina (SC) Department of Insurance (DOI) began work with Lewis & Ellis (LE) as outlined in the grant proposal for the consulting actuary. In order to be deemed an effective rate review state by HHS, SCDOI will have LE conduct the reviews of required small group rate increases as appropriate.

IT/Infrastructure Enhancement Status:

In the third quarter of work the IT infrastructure enhancements (Phases I and II) as specified in the grant application were completed. In this fourth quarter, the project team created the mechanism for public input (a dedicated email address to be published on the SCDOI website), and continued in planning for the required changes to the SCDOI website for publishing rate review information and linking to the CMS website. When complete, information on health insurance increases of at least ten percent will be easily accessible for South Carolinians. The last of the IT enhancements will be dependent upon recommendations from LE on our rate review processes.

Actuarial Review Status

1. Accomplishments to Date:

LE has begun grant work on behalf of DOI. The principal consultant from LE and the SCDOI program manager spent time in Q4 designing the data call as defined in the grant proposal. The

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data call consisted of questions that will allow DOI to understand the small group, large group and association markets, which are less regulated in SC than the individual market. The questionnaires were submitted to carriers that comprised at least 90% of all business in each market. As of 9/30/2011, we had either received data or obtained commitment from all 14 carriers for a 100% response rate.

2. Challenges and Responses:

Care was exercised in the composition of the questionnaires in the data call. We balanced our desire to understand the markets' operations with the knowledge that many carriers are exiting these markets. We therefore purposefully made the questionnaires as acceptable as possible. Even so, some carriers did not meet the agreed-upon timelines, which will in turn delay our analyses.

3. Variations from the Original Timeline:

LE expects that analyses will take 20 weeks to complete once all data are submitted. We have been promised that we will have data from all carriers by the middle of October 2011, which would mean that analyses would be complete by the end of February, 2012.

Significant Activities: Undertaken and Planned

Significant Activity #1: IT/Infrastructure Enhancement

Undertaken activities

Phases I and II as proposed are complete.

Planned activities

Phase III – LE will make recommendations for our Phase III enhancements.

Significant Activity #2: Actuarial Review

Undertaken activities

The data call has been issued and we have begun to receive data from carriers. We have assurances that we will have a 100% response rate from our carriers for the data call.

Planned activities

Analyses will commence upon receipt of all data from carriers (mid-October 2011). LE will also conduct DOI staff training and recommend efficient rate review processes, as well as conduct rate reviews in accordance with the final regulation, in the no-cost extension period.

Operational/Policy Developments/Issues

Policy Development:

SCDOI requested and was granted a no-cost extension to complete grant work. CMS issued regulation on association trust business, and SCDOI has met with CMS to determine whether DOI meets the criteria to be deemed an effective rate review program in this market. LE's scope of work will be modified to include training for SCDOI staff to be able to efficiently conduct rate reviews in the small group and association markets as required of an effective rate review state.

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Public Access Activities

SCDOI has established a dedicated email address for public input for new rate review requirements. As of 9/30/2011, SCDOI had no requests subject to review under the final regulation, and we wait for the CMS website for rate reviews to go live. While enhancements to our website are planned for the no-cost extension period, the recommendations fall within the scope of the work to be undertaken by LE.

Collaborative efforts

Work continues with LE. Also, the program manager worked closely with each of the carriers to ensure the success of the data call.

Lessons Learned

Perhaps the agreed-upon timelines for the data call were too ambitious. These delays do not jeopardize the integrity of project, however, and we will complete the work as proposed in the grant application in the no-cost extension period ending March 31, 2011.

Updated Budget

SCDOI submitted the attached Federal Report Form 425 for the second quarter of the grant period. As of 09/30/2010, the total grant expenditures were \$236,537.27 as enumerated by category below:

Expenditure Category	Cumulative Expenditures as of 9/30/2011
Personnel	\$97,021.96
Indirect Costs	\$10,908.37
Contractual Services	\$119,713.45
Data Processing Equipment	\$6,593.36
Non-Capital Equipment	\$2,300.13
Total Expenditures	\$236,537.27

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 1/1/2011-9/30/2011:

1. The SERFF API interface was completed.
2. The web tool for access to the data collected by the SERFF API interface was deployed on 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. The consulting actuary (Lewis & Ellis) was selected in June 2011, with work beginning immediately.
5. SCDOI issued the data call as proposed for the market study and the program manager worked closely with carriers to answer their questions regarding the data call. As of 9/30/2011, we have received most carriers' data, with a few companies having promised

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to provide their data by mid-October 2011.

6. LE and the program manager will conduct the market analyses upon final receipt of the data.
7. LE estimates that analyses will require 20 weeks to complete, once all carrier data is submitted. Assuming all data are in-house by October 24, 2011, analyses should be completed by late February, 2012.
8. LE will also make final recommendations on efficient rate review practices and train SCDOI staff in the no-cost extension period. The program manager and the principal consultant will determine the exact date for the training, as it may be possible before final analyses are complete.

Enclosures/Attachments: (1)

Federal form 425 was submitted via HIOS for the rate review grant:

Federal_form_425_SCQ4.pdf

PART II: HEALTH INSURANCE RATE DATA COLLECTION

Filing data was submitted via SERFF. Each filing was checked by the program manager for appropriateness. SERFF data was submitted by the program manager on Thursday, October 27 at 9:56 a.m.