Consumer Guide to Health Insurance Rates and the Rate Review Process

Q: What is a rate?

A: A rate is the base price of a health insurance product and can also be referred to as the base rate.

Q: What is a premium and how is it different from a rate?

A: A premium is the actual amount an insurance company charges per month, which can differ from the rate based on certain factors. Insurance companies can vary premiums (charge more or less) based on age, tobacco use, geographic area, the number of family members covered by the plan, and the benefits included in the plan. While insurance companies can vary premiums on age and tobacco use, premiums paid by older people cannot be more than three times higher than the premiums paid by younger people with the same coverage and premiums paid by individuals who use tobacco can only be up to 50% more than individuals who do not use tobacco with the same coverage.

Insurance companies can no longer vary premiums by any other factors, including health status or pre-existing conditions, gender, or other individual characteristics.

Q: What is rate review?

A: Health insurance companies are required to submit all proposed rates and changes to their rates to the Insurance Department each year for plans in the individual and small group markets (see the following FAQ for more information on which health insurance plans are subject to rate review and which are not). The Department thoroughly reviews all rate filings to ensure that rates are not excessive, inadequate or unfairly discriminatory. The Department employs credentialed actuaries who are fully certified to review rate filings and determine compliance with all rules and regulations. Throughout the review process, these actuaries will complete a thorough and unbiased analysis of the rates and request additional data if necessary to complete a determination. The Department's primary goal is to protect consumers and ensure their rates are fair, while maintaining a stable and competitive market, and are confident that the process in place achieves this goal.

Q: Whose rates are reviewed?

A: Health insurance companies that offer full (comprehensive major medical) coverage in the individual and small group markets are reviewed. The individual market includes individuals and families who purchase insurance on their own, generally because they are self-employed or otherwise do not get insurance through an employer or a public program like Medicare or Medicaid. The small group market includes employers with 50 or fewer employees. Large employers with more than 50 employees typically negotiate premiums directly with insurance companies and are not subject to this requirement. Self-insured, or self-funded, employers are also not subject to this requirement as they are regulated by the Federal government and not by the state. (An employer is self-insured if the employer assumes the

financial risk for providing health care benefits to its employees. Self-insured employers pay claims using their own money instead of paying an insurance carrier a premium to assume the risk.)

Q: What is the Department's process and timeline for reviewing rate filings?

A: Every year, health insurance companies selling plans in the individual and small group markets submit all rate and proposed rate changes to the Insurance Department. The Department then makes these filings public. All proposed rate filings are posted to the Department's website and all proposed rate increases of 10% or higher are additionally published in the Pennsylvania Bulletin. Stakeholders and the public have 30 days from when the rate filings are posted to provide comments on the proposed rate changes and information about how to offer your comments is included on our website. Be assured, the Department will perform a thorough and intense actuarial review of all rate filings to ensure that rates are not excessive, inadequate or unfairly discriminatory. The Department's primary goal in this review is to protect consumers and ensure their rates are fair, while maintaining a stable and competitive market. A more detailed explanation of the factors taken into consideration by the Department is provided in the following FAQ.

Q: What factors does the Department consider during the rate review process?

A: The rate review process helps the Insurance Department ensure that approved rates are fair, non-discriminatory, and appropriate given the benefits offered by each plan. Rates are considered to be reasonable if they will adequately cover the costs of medical services claims and reasonable expenses for the continued operations of the insurance company. Excessive rates are not considered to be reasonable. This process helps balance consumers' interests in obtaining coverage that is both high-quality and affordable with the need to maintain a stable and reliable insurance market.

The Department considers both a breadth and depth of information in its assessment of the reasonableness of a rate filing. In addition to this information, the Department will consider any comments submitted by consumers or other stakeholders through the public comment process. The Department also routinely communicates with the insurance companies to ask questions, clarify provided information, or request additional information. The detailed information considered through the rate review process includes but is not limited to:

- Assumptions made by the insurance company about future medical claims costs and utilization expected in the following year.
- Assumptions made by the insurance companies about medical trends in the insurance market, administrative expenses, taxes and fees, and other factors that have implications for insurance revenues and costs such as reinsurance and risk adjustment.
- Technical assumptions made by the insurance company in light of its historical claims experience, expected provider contracting changes, demographic changes, and administrative or other expense data.

- Compliance with rating rules and other requirements established by the Affordable Care Act. See the FAQ on "What is a premium and how is it different from a rate?" for more information on the current rating rules.
- Historical data to ensure consistency with prior rate filings.
- Analysis of the price relative to the benefit level of the plan, i.e., is the proposed rate appropriate given the benefits included in the plan?

Q: What are the potential outcomes of the rate review process?

A: Based on the Department's review, a rate filing can be approved, rejected, modified, disapproved, or withdrawn, as outlined below. There are also a number of reasons why an insurance company might amend its rate filing during the rate review process and the final determination would be based on that amended filing.

- Approval: A rate is approved if the Department deems the proposed change to be reasonable based on a thorough and intense actuarial review.
- Rejection: A rate filing may be rejected if it is found to be incomplete or improperly submitted.
- Modification: A rate filing can be modified if the Department's analysis deems the proposed rate change actuarially unsupportable. The Department may approve a rate that is different, often less, than the rate proposed by the insurance company.
- Disapproval: A rate filing can be disapproved if the Department finds the insurer did not provide sufficient justification for the proposed rate.
- Withdrawal: An insurance company may decide to withdraw its rate filing and resubmit or refile.

Q: Where can I find information about rates being reviewed?

A: All proposed rates are posted to the Department's website and all proposed rate increases of 10% or higher are additionally published in the Pennsylvania Bulletin. Please note that many insurance companies offer multiple products (for example, an HMO and a PPO product) across multiple markets (individual or small group). Make sure you know which type of coverage you have before checking the proposed rate change for your or your family's plan.

Q: How can I participate in the rate review process?

A: Interested parties are invited to submit comments, suggestions or objections to any of the proposed rate changes by the deadlines stated on the website via email to ra-rateform@pa.gov.

Q: What is the Department doing to improve and enhance the rate review process?

A: The Insurance Department strives to ensure that the rate review process is robust, fair, and transparent. The Department has already begun multiple initiatives to improve and enhance its rate review process. The Department has commissioned a report from independent experts that will examine the factors driving cost increases across the country and within Pennsylvania to better inform our review process. The Department now also solicits independent external analysis of all rate filings with significant

rate increases to augment the analysis done by its own actuaries and ensure the highest level of consumer protection and market analysis.

The Department continues to look for ways to make the rate review process more transparent and understandable for consumers. If you have questions or comments on the rate review process, please email them to ra-rateform@pa.gov.