



DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION

Bureau of  
Insurance

STATE OF MAINE



# MAINE BUREAU OF INSURANCE

## REGULATION OF HEALTH INSURANCE RATES

IMPACT OF PL 90 ON RATES

REVIEW OF GEOGRAPHIC AREA RATING

ACA RATING REQUIREMENTS

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126<sup>TH</sup> MAINE LEGISLATURE – INSURANCE & FINANCIAL SERVICES COMMITTEE

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# OVERVIEW

- Maine's Health Insurance Market
- Rate Review Pre - P.L. 90
- Rate Review Post - P.L. 90
- Impact of the Affordable Care Act

# MAINE'S HEALTH INSURANCE MARKET

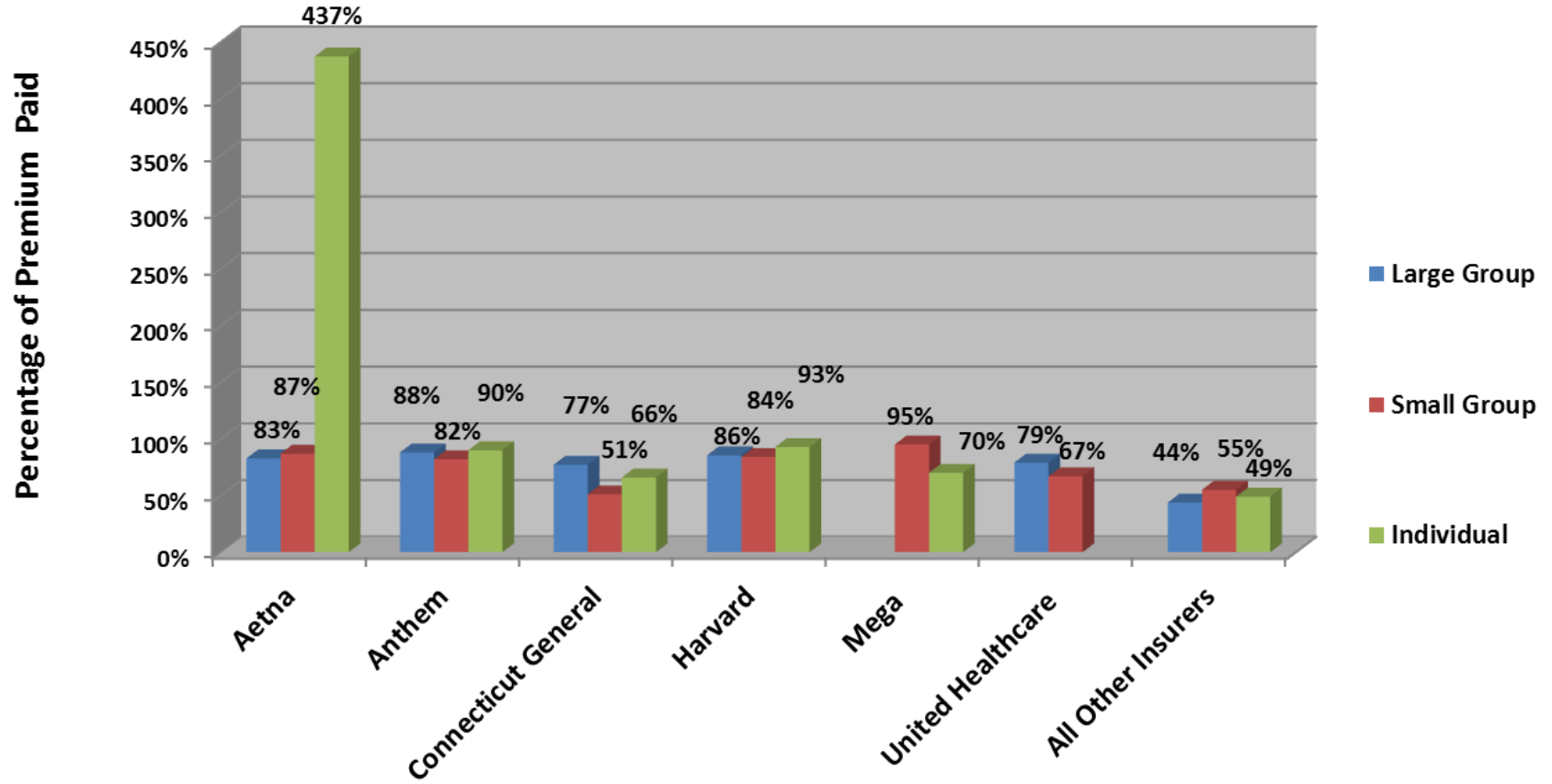
## Market Demographics

- Slightly more than a quarter of the population in Maine has individual or group health insurance coverage.
  - Individual market: Approximately 34,000
  - Small group: 93,000
  - Large group: 214,000

## Filing Requirements

- The insurer has the obligation to provide **sufficient justification** to demonstrate that the resulting rates will not be:
  - Excessive
  - Inadequate
  - Unfairly discriminatory

## 2011 Percent of Premium Paid for Claims by Company and Market Segment



# RATE REVIEW PRE-P.L. 90

- **Individual Market**
  - Prior approval required
  - Minimum loss ratio required: 65%
- **Small Group Market (1-50 employees)**
  - Beginning in 2003, prior approval required unless opting out
  - Minimum loss ratio required: 75%
  - Opt out: 78% loss ratio with possible rebates
- **Large Group Market (over 50 employees)**
  - Rates filed for informational purposes, but not reviewed or regulated

# RATE REVIEW PRE-P.L. 90

## Allowable Rating Variations

- Individual: age and geographic area with a combined limit of 1.5 to 1.
  - Tobacco and family variations allowed
- Small Group: age, geographic area, and occupation with a combined limit of 1.5 to 1.
  - Tobacco and family variations allowed, in addition to group size and wellness program participation
- **Notice Requirements**
- **Hearings**

# Anthem HealthChoice Historical Average Rate Increases

<b>Average Increase Requested</b>	<b>Proposed Effective Date</b>	<b>Average Increase Approved</b>	<b>Actual Effective Date</b>
20.4%	10/1/1998	20.4%	1/1/1999
15.9%	10/1/1999	15.7%	11/1/1999
23.5%	1/1/2001	23.5%	1/1/2001
13.6%	1/1/2002	12.7%	2/1/2002
7.1%	1/1/2003	3.4%	1/1/2003
14.7%	1/1/2005	14.5%	3/1/2005
19.8%	1/1/2006	16.3%	3/1/2006
20.5%	1/1/2007	16.7%	1/1/2007
18.6%	1/1/2008	12.5%	1/1/2008
18.5%	7/1/2009	10.9%	7/1/2009
22.9%	7/1/2010	14.1%	10/1/2010
9.7%	7/1/2011	5.2%	7/1/2011
1.7%*	7/1/2012	1.7%	7/1/2012

\* This rate filing took into account the MGARA reinsurance program. Anthem estimated that its participation in the program will reduce total claims for its individual products by about \$11 million, resulting in a much smaller rate increase than would otherwise have been needed. Anthem projected that without this program, the premium increase would have been 21.6%.

# RATE REVIEW POST - P.L. 90

## Allowable Rating Variations

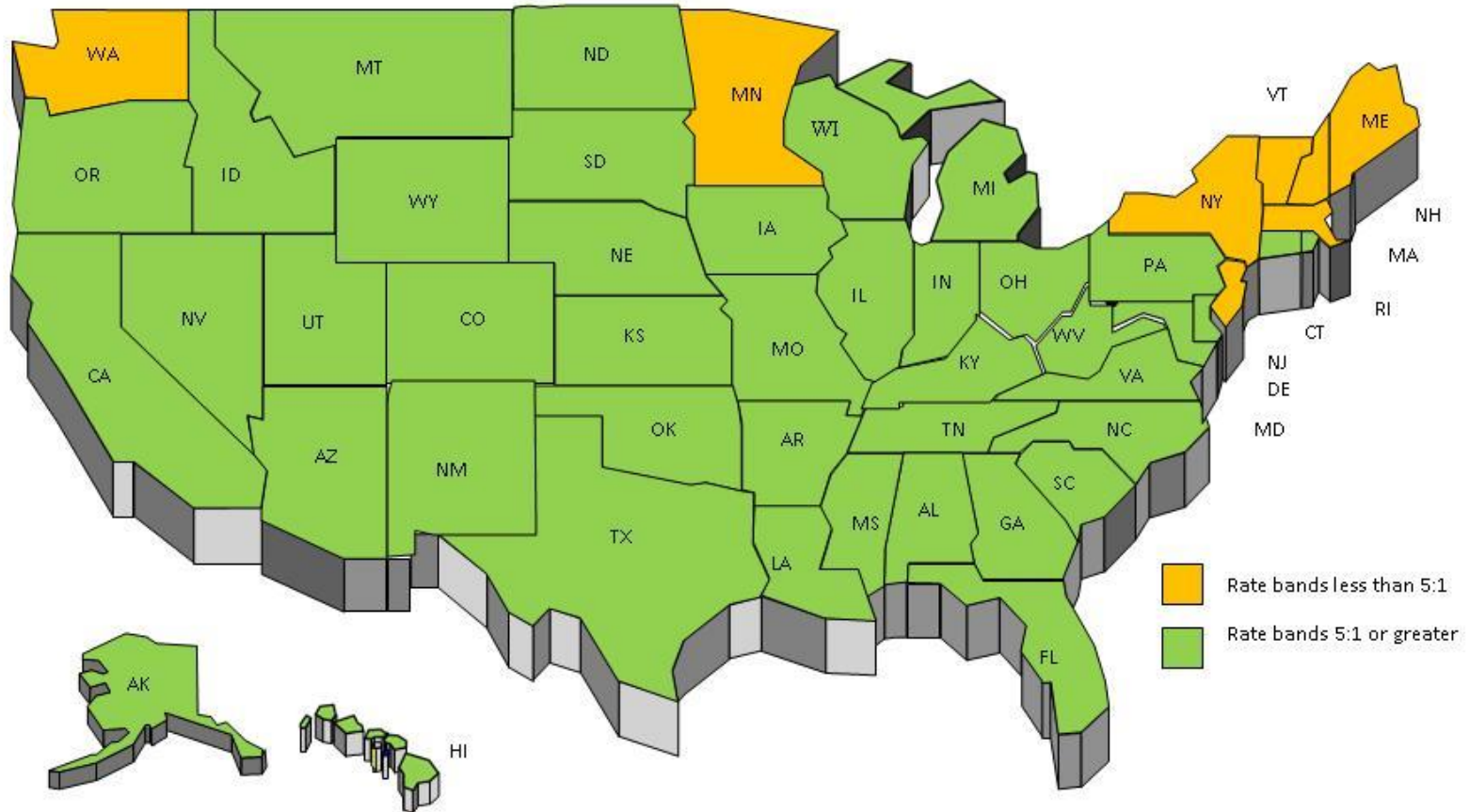
- Age: 1.5 to 1, to phase-in to 3 to 1 by 2014
- Geographic area: 1.5 to 1
- Tobacco: 1.5 to 1

## Affordable Care Act (ACA) Rate Review

- “Potentially Unreasonable”  $\geq 10\%$



# Age-Rating Compression: Higher Premiums for Younger Individuals in 42 States



The ACA limits the age band to 3:1, which will increase costs for younger individuals in the 42 states that currently allow health insurance rates to vary by age by 5:1 or more

# RATE REVIEW POST - P.L. 90

## Rate Review Under P.L. 90 & 364

- Rates May Not Be:
  - Excessive
  - Inadequate
  - Unfairly Discriminatory
- **Information Requested**
- **Recent Filings**
  - Anthem individual rate filing - 1.7% average increase
  - MEGA individual filing – 6.5% average increase

# RATE REVIEW POST - P.L. 90

## Geographic Area Factors in Maine

- Individual
  - All carriers, but Anthem, use geographic factors
- Small Group
  - All carriers currently use geographic factors

## Geographic Area Factor Considerations

- Hospital Costs
- Provider Contracts
- Competitive Concerns
- Loss Ratios

# GEOGRAPHIC FACTORS FOR SMALL GROUP BUSINESS IN MAINE

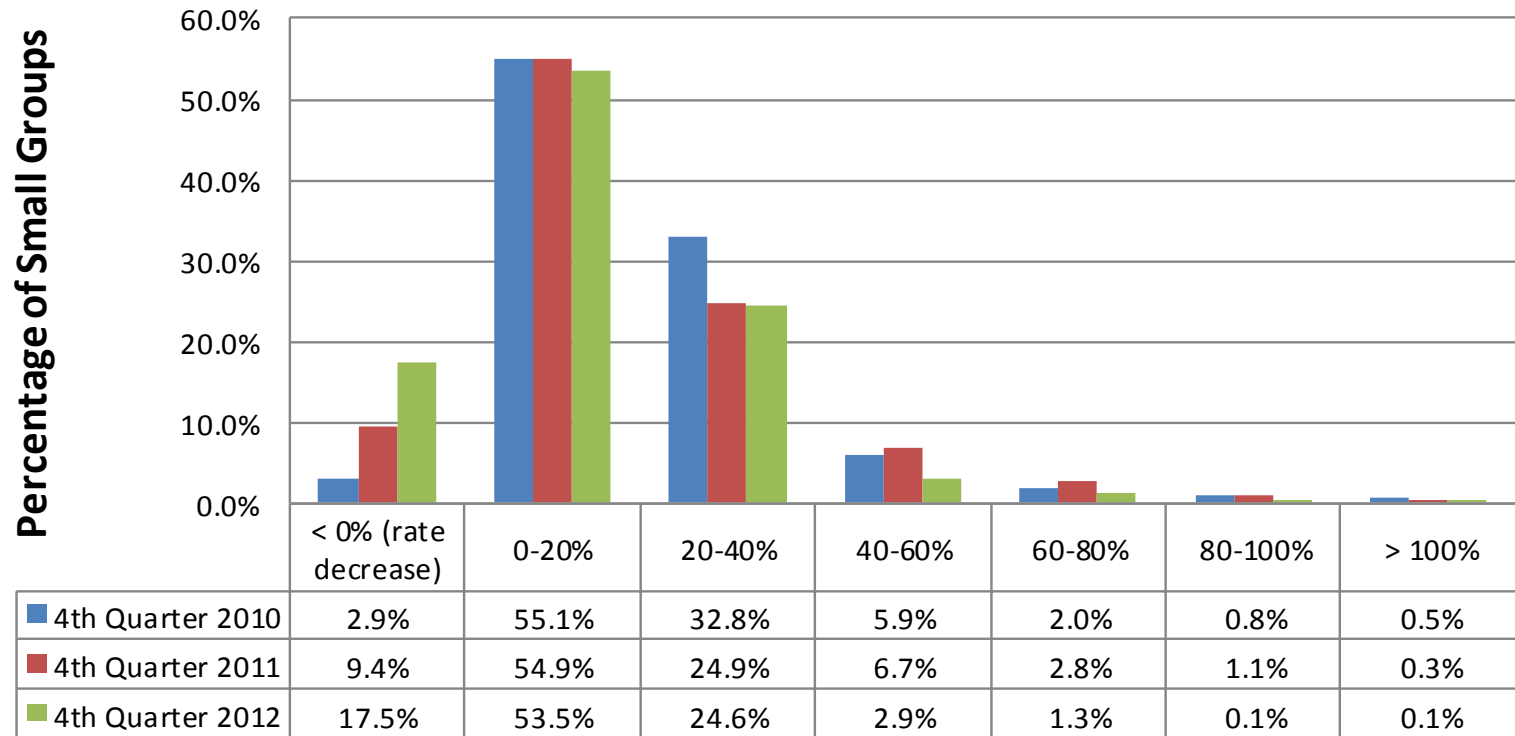
Current Factors Effective	7/1/2012	7/1/2012	8/1/2012	10/1/2012	10/1/2011
	<b>Anthem</b>	<b>Aetna</b>	<b>Harvard/ HPHC</b>	<b>HPHC Dirigo</b>	<b>UnitedHealthcare</b>
<b>Androscoggin</b>	1.000	1.000	1.000	0.970	1.050
<b>Aroostook</b>	1.250	1.275	1.300	1.150	1.100
<b>Cumberland</b>	0.850	0.850	0.867	0.900	1.000
<b>Franklin</b>	1.100	1.000	1.050	1.025	1.100
<b>Hancock</b>	1.250	1.200	1.300	1.200	1.100
<b>Kennebec</b>	1.000	0.950	1.000	0.930	1.050
<b>Knox</b>	0.950	0.950	1.000	0.950	1.000
<b>Lincoln</b>	0.975	1.000	1.000	0.975	1.000
<b>Oxford</b>	0.975	1.000	1.000	0.975	1.100
<b>Penobscot</b>	1.100	1.050	1.100	1.150	1.000
<b>Piscataquis</b>	1.100	1.275	1.100	1.150	1.100
<b>Sagadahoc</b>	0.950	0.950	0.950	0.950	1.000
<b>Somerset</b>	1.125	1.200	1.050	1.150	1.100
<b>Waldo</b>	1.100	1.000	1.000	1.050	1.100
<b>Washington</b>	1.275	1.275	1.300	1.200	1.100
<b>York</b>	0.950	0.950	0.950	0.900	1.000

# EXPERIENCE POST - P.L. 90

## Anthem Individual Health Sales Comparison for 2011 and 2012

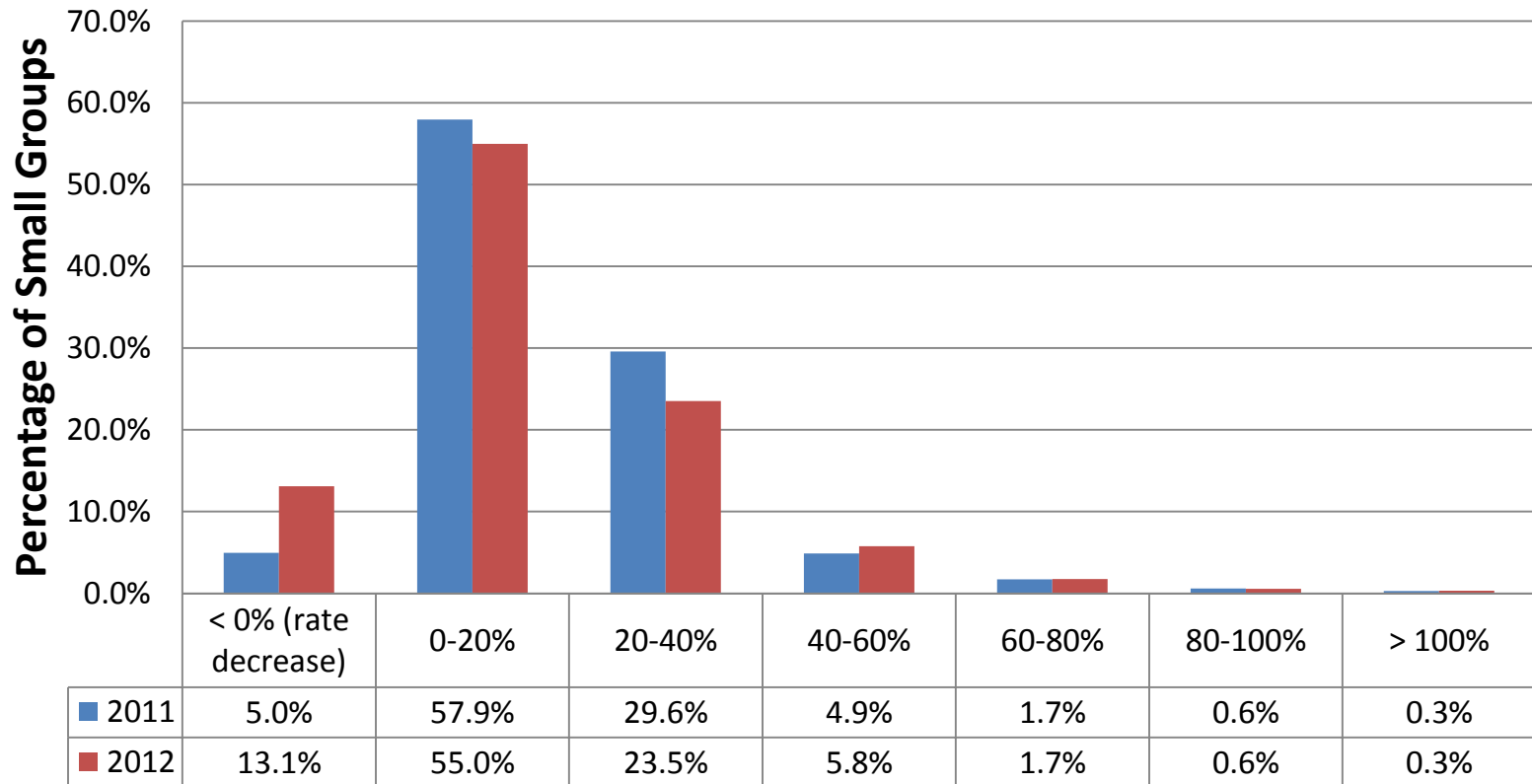
	2011	2012	% Increase
	Calendar Year		
<b>Member Sales</b>	3,561	4,992	40.2%
<b>Contract Sales</b>	2,134	2,983	39.8%
	July - December		
<b>Member Sales</b>	1,708	2,781	62.8%
<b>Contract Sales</b>	1,059	1,686	59.2%

## Percentage of Small Groups By Quarter in Each Rate Change Band Aetna, HPHC, and Anthem Combined



**Note:** Between the 4<sup>th</sup> quarter 2010 and 4<sup>th</sup> quarter of 2012, there was a 13.4% decrease in the number of small groups renewing.

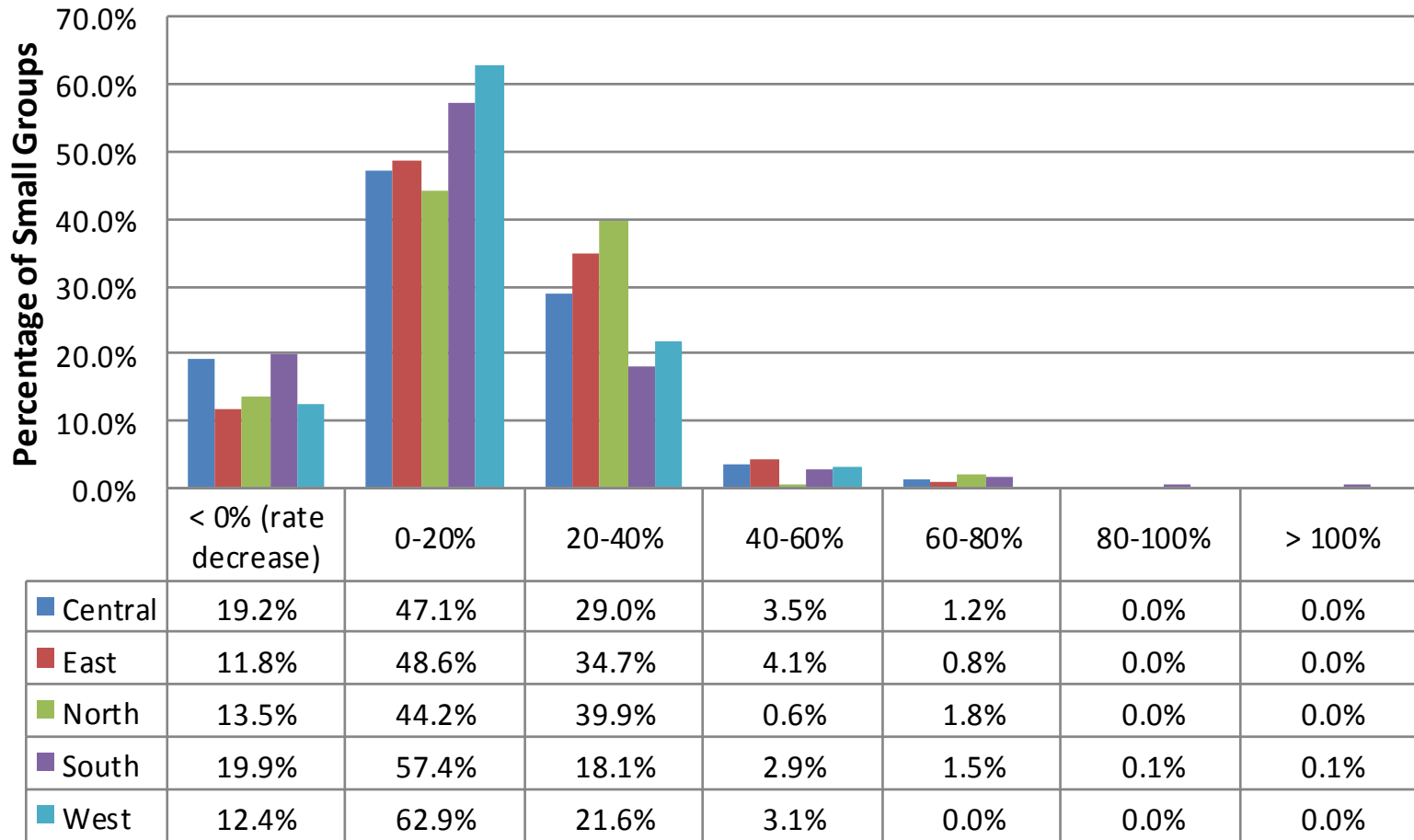
## Percentage of Small Groups By Year in Each Rate Change Band Aetna, HPHC, and Anthem Combined



**Note:** Between years 2011 and 2012, there was a 6% decrease in the total number of small groups renewing. P.L. 90 was in effect for the last quarter of 2011 through 2012.

# Percentage of Small Groups by Area in Each Rate Change Band - 4th Quarter 2012

## Aetna, HPHC, and Anthem Combined





# THE AFFORDABLE CARE ACT & P.L. 90

- **Minimum Medical Loss Ratios (MLR)**
  - Individual – 80% (waiver - 65%)
  - Small Group – 80%
  - Large Group – 85%
- **Rebates**
  - 2011: Connecticut General, large group rebate of over \$2.5 M

# THE AFFORDABLE CARE ACT

## CHANGES IN 2014

### Rates may only vary due to:

- 1) Whether the plan covers an individual or family
- 2) Geographic rating area
- 3) Age
- 4) Tobacco use

### Geographic Rating Options

- 1) One rating area for the entire state
- 2) Rating areas based on counties or 3-digit zip codes
- 3) Rating areas based on MSAs\* and non-MSAs

If a state chooses either option (2) or (3), the maximum number proposed is seven.

- A state may propose for HHS's consideration a different standard.

\* Metropolitan Statistical Areas

# THE AFFORDABLE CARE ACT

## CHANGES IN 2014

### Actuarial Values

- Health plans will be required to meet certain actuarial values (AV) or measures of the overall level of cost sharing required under a plan.
  - Bronze – 60% AV
  - Silver – 70% AV
  - Gold – 80% AV
  - Platinum – 90% AV

### Wellness Plans

- Group health plans will be allowed to establish premium discounts or rebates or to modify cost sharing under the plan in return for adherence to wellness programs.

# THE AFFORDABLE CARE ACT

## CHANGES IN 2014

### Age Rating Bands

- Uniform Age Bands
  - A single age band for individuals age 0 to 20
  - One-year age bands starting at age 21 and ending at age 63
  - A single age band for individuals age 64 and older
- Uniform Rating Curve
  - Proposed default: 0.635 for ages 0-20, 1.0 for ages 21-24, increasing for each age until it reaches 3.0 for ages 64 and higher.

### Family Coverage

- Change from tier rating to member build-up
  - Family rate is the sum of the rates for each member, to include no more than three family members under the age of 21.

# THE AFFORDABLE CARE ACT

## CHANGES IN 2014

### CHANGE FROM TIER RATING TO MEMBER BUILD-UP EXAMPLES



#### **Example 1:**

A family of two 30 year old adults with one minor child.

- Old Rate: \$ 1,022
- New Rate: \$ 872

**Rate Change: - 15%**

#### **Example 2:**

A family of two 30 year old adults with two minor children.

- Old Rate: \$ 1,022
- New Rate: \$ 1,062

**Rate Change: + 4%**

#### **Example 3:**

A family of two 30 year old adults with three minor children.

- Old Rate: \$ 1,022
- New Rate: \$ 1,253

**Rate Change: + 23%**

# THE AFFORDABLE CARE ACT

## CHANGES IN 2014

### CHANGE FROM TIER RATING TO MEMBER BUILD-UP EXAMPLES



#### **Example 1:**

A family of one 30 year old adult with one minor child.

- Old Rate: \$ 613
- New Rate: \$ 531

**Rate Change: - 13%**

#### **Example 2:**

A family of one 30 year old adult with two minor children.

- Old Rate: \$ 613
- New Rate: \$ 722

**Rate Change: + 18%**

#### **Example 3:**

A family of one 30 year old adult with three minor children.

- Old Rate: \$ 613
- New Rate: \$ 912

**Rate Change: + 49%**

# THE AFFORDABLE CARE ACT

## CHANGES IN 2014

### CHANGE FROM TIER RATING TO MEMBER BUILD-UP EXAMPLES



#### Example 1:

A family of two 50 year old adults with three minor children.

- Old Rate: \$ 1,607
- New Rate: \$ 1,643

**Rate Change: + 2%**

#### Example 2:

A family of two 50 year old adults with three children 21-26.

- Old Rate: \$ 1,607
- New Rate: \$ 1,972

**Rate Change: + 23%**

#### Example 3:

A family of two 50 year old adults with three minor children and three children 21-26.

- Old Rate: \$ 1,607
- New Rate: \$ 2,543

**Rate Change: + 58%**