

Federal Grant Application Request  
**Department of Consumer and Business Services**  
Rate Review Cycle III Federal Grant

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**Analyst:** Susie Jordan

**Request:** Approval to apply for up to \$2 million Rate Review Cycle III federal grant from the U.S. Department of Health and Human Services (DHHS).

**Recommendation:** Approve the request.

**Analysis:** The Department of Consumer and Business Services (DCBS) Insurance Division requests permission to apply for up to \$2 million under the Grants to States for Health Insurance Premium Review – Cycle III funding opportunity. Proposals are due August 1, 2013 and an award is anticipated by October 2013.

The Affordable Care Act established \$250 million grant program to be awarded in Federal Fiscal Years (FFY) 2010 through 2014 to support state health insurance rate reviews. DCBS received \$1 million in Cycle I and \$4 million in Cycle II to enhance the state's rate review process. These grants supported increased examination of rate filings by hiring additional actuarial staff, boosted public input into rate reviews by providing funding to a consumer group to provide comments on rate requests, to provide consumers better information about what drives health insurance premiums, and enhanced IT improvements to make rate filing information accessible and usable to consumers. According to DHHS, preliminary results indicate the effective rate review is helping states to slow down health insurance premium growth. Cycle III grants are expected to continue the rate review successes of Cycle I and II as well as provide greater support to Data Centers and ensure greater public access to health pricing data.

DCBS currently has authority to review and approve premium rates for health insurance plans offered to individuals, to small group employers (up to 50 employees), and for plans that provide portability coverage. Approximately 476,000 Oregon residents receive health insurance coverage within these categories of health insurance plans.

The grant funds would be used to expand the health care pricing data collected, analyzed and displayed as part of its rate review activities. DCBS will have to demonstrate how medical pricing data will be analyzed and presented to the public in an easily accessible manner and useable format as well as clearly document the connection between the use of pricing data and the state's rate review activities. The funds will also be used to continue both enhancing and expanding premium rate review activities. The grant has a maintenance-of-effort requirement, and grant funds cannot be used to finance existing expenditures on rate review activities.

The grant does not have a match requirement, but either substantially higher fees, or other state support, would likely be needed if the Legislature chooses to continue the expanded rate review activities after the federal monies are no longer available.

The Legislative Fiscal Office recommends approval of the submission of the Rate Review Grant and Consumer Assistance Grant applications. If successful, DCBS may need to return to request additional federal funds expenditure limitation from the Legislature in 2014.



# Oregon

John A. Kitzhaber, MD, Governor

Department of Consumer and Business Services

Director's Office

350 Winter Street NE, Room 200

Salem, OR 97301-3878

Voice: 503-378-4100

Fax: 503-378-6444

[dcbs.oregon.gov](http://dcbs.oregon.gov)

June 17, 2013

The Honorable Richard Devlin, Co-Chair  
The Honorable Peter Buckley, Co-Chair  
Join Committee on Ways and Means  
State Capitol, 900 Court Street NE  
Salem, OR 97301

Dear Co-Chairs:

The Department of Consumer and Business Services requests approval to apply for and authority to expend federal grants from the Department of Health and Human Services (DHHS).

On May 8, 2013 the Department of Health and Human Services (DHHS) notified DCBS that it would make available Rate Review Cycle III federal grant funds to support states in health insurance rate review processes, including expanding existing rate review processes and enhancing health care pricing data collected, analyzed, and displayed as part of rate review. Additionally, states must clearly document the connection between the use of pricing data and the state's rate review activities. Federal funding for the grant is available from the appropriations authorized under the Affordable Care Act of 2010, Section 2794 of the Public Health Service Act entitled, "Ensuring That Consumers Get Value for Their Dollars."

This grant is a continuation of Rate Review Cycle I and Cycle II funding, for which DCBS has already been awarded \$1 million and \$4 million respectively in grant funds to enhance our rate review process. DCBS used Cycle I funds to increase the scrutiny of rate filings, bolster public input in the rate review process, increase transparency of rate filings, and enhance our educational tools on the web. DCBS is using Cycle II funds to live stream and record all public hearings on rate filings, hire additional staff to handle increased workload and provide further scrutiny on rate filings, and continue to create new opportunities to educate consumers on the rate review process and explain the main cost drivers of health insurance rates.

As we continue to enhance our rate review process, DCBS is simultaneously evaluating the impacts of Cycle I and Cycle II changes in an effort to properly plan for the Cycle III application. Immediate improvements have already been noted, including the hiring of additional staff to carry out increased workload. Still other project developments are ongoing and DCBS has not had the opportunity to fully assess specific project outcomes. As the rate review process gains more consumer awareness, we are evaluating ways to expand the health care pricing data that we collect and how to make it more easily accessible for the public.



The Honorable Richard Devlin, Co-Chair  
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June 17, 2013  
Page 2

During the next few months, DCBS plans to actively solicit stakeholder input as we develop our Cycle III application. We look forward to working with consumer advocates, legislators, and insurers as we continually improve our rate review process.

DCBS meets the federal qualifications for purposes of applying for the Cycle III Rate Review grant. Baseline funds available to DCBS include a total award of \$1.5 million for 18 months, unless there is sufficient funding to award \$2 million for 24 months. This baseline award will be for Federal Fiscal Year (FFY) 2014 through 2015. In addition, DCBS may apply for one-time "Performance" and "Workload" related bonus funds, which may make Oregon eligible for additional funding, to be determined. After Cycle III funding disbursements, DHHS will have exhausted all funding and Oregon will be responsible for any remaining programs or staff.

The application of this grant is due no later than August 1, 2013. The anticipated award date is October 1, 2013. Awardees are not required to provide matching funds.

The Department of Consumer and Business Services is requesting approval from the Joint Ways and Means Committee to apply for this federal grant.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Allen', with a long horizontal flourish extending to the right.

Patrick M. Allen  
Director