



Oregon

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December 1, 2014

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

RE: Budget Note – Health Insurance Rate Review and State Reinsurance Program

Dear Co-Chairs:

During the 2013 legislative session, the Joint Committee asked the Department of Consumer and Business Services (DCBS) to report by December 1, 2014 about transparency in health insurance rate review and the state's transitional reinsurance program.

Oregon's Health Insurance Rate Review Program

Background

In Oregon, health insurers must submit rate requests to the Department of Consumer and Business Services, Insurance Division, for approval before policies are offered in the individual and small group markets. Insurers must receive approval for their rates each year, even if rates are unchanged from the previous year. DCBS has broad authority to ensure that rates are reasonable and not excessive, inadequate, or unfairly discriminatory.

More than 390,000 Oregonians rely upon the health insurance sold in the markets subject to rate review. In the past two years, nearly every health insurance rate request in Oregon was changed as a result of the rate review process, and most requests were decreased. While some rates are increasing, Oregon's average individual and small group health insurance premiums were lower in 2015 than in 2014. Oregonians also benefit from an unusually competitive health insurance market, with 16 companies selling health insurance in the individual and small group markets.

Significant changes in Oregon laws in 2007 and 2009, as well as federal reforms enacted in 2010, strengthened the department's authority to conduct rigorous and transparent rate reviews for individual, small group, and portability health insurance plans.

For example, DCBS may now consider an insurer's overall profitability rather than just the profitability of a particular line of insurance. Companies must also separately report and justify changes in administrative expenses by line of business and provide detail about salaries, commissions, marketing, advertising, and other administrative expenses. All rate filings are public and posted on the Insurance Division's website, with a 30-day opportunity for public comments, which are also posted. The division conducts public hearings and posts a detailed rate filing decision for every filing we review.

Role of Federal Grants in Enhancing Rate Review and Transparency

Federal grants have provided the Insurance Division with resources to further enhance the rate review process and begin the work of increasing transparency in health care pricing. Since 2010, Oregon has



received funding from the U.S. Department of Health & Human Services (HHS) Rate Review Grant program. The program aims to “support states in health insurance rate review processes, including expanding existing processes and enhancing health care pricing data collected, analyzed, and displayed as part of rate review,” which meshes well with Oregon’s own health reform efforts.

Since the inception of the grant program in 2010, grant funds have allowed DCBS to fund additional health actuaries and other staff to ensure complete, accurate rate filings and to improve public communications. The grant supports continued improvements to the rate review website, publishing of guides and other materials for consumers, and live streaming of public hearings for people who cannot attend in person.

The grant also allows DCBS to contract with a consumer advocacy organization, Oregon State Public Interest Research Group (OSPIRG), to review and comment on rate filings and elevate the level of consumer participation in the rate review process. OSPIRG also provides input to DCBS on how to provide health care pricing data in a meaningful way to consumers.

In partnership with the Oregon Health Authority (OHA) and the Oregon Health Care Quality Corporation (Q Corp), DCBS began work in 2013 to enhance the All Payer All Claims database (APAC) to improve the transparency and accessibility of health care pricing data and integrate quality and price information. In 2014, for the first time, the Insurance Division required insurers to submit certain cost and quality metrics with their 2015 rate filings. The division posted those metrics on its website, and they will be used to establish a baseline for future year-over-year comparisons.

Grant dollars have allowed DCBS to contract with OHA and Q Corp to improve the quality, timeliness, and usefulness of the APAC database; establish authority to use APAC data for rate review and health care price transparency; and improve technical and organizational infrastructure to collect, manage, validate, analyze, distribute, and communicate data. DCBS has also contracted with Q Corp, which is a Centers for Medicare and Medicaid Services (CMS)-qualified data center, to provide services centered on collecting health care pricing and quality data.

Evaluations of DCBS’ Rate Review Program

In 2013, with grant dollars, DCBS contracted with Georgetown University to perform a complete program evaluation of the rate review program. That report will be issued in early December 2014, and the division will provide copies of that report to the committee.

In the spring of 2014, the Secretary of State’s (SOS) Audit Division began an audit process of the rate review program. After initial interviews and investigatory work, the audits division decided not to perform a full audit and instead issue a rate review overview. The SOS report will be released in early December 2014, and the division will share copies of the report with the committee.

Oregon’s State Reinsurance Program

Background

The legislative assembly passed House Bill 3458 in the 2013 session. The bill stabilizes health insurance premiums in the early years of implementation of the federal Affordable Care Act (ACA) and establishes the Oregon Supplemental Reinsurance Program (state reinsurance program) in the Oregon Health Authority (OHA). House Bill 3458 requires the Oregon Medical Insurance Pool (OMIP) Board to draft rules in consultation with DCBS to implement the state reinsurance program.

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The state reinsurance program:

- Is intended to stabilize individual market premiums by supplementing the federal reinsurance program in 2014 through 2016.
- Pays for high claims costs associated with persons moving into the commercial individual market from OMIP (formerly the state's high risk pool), the state's former children's reinsurance program, and commercial portability coverage.
- Will be funded by assessment similar to the assessment that funded the OMIP program. The statute caps the assessment amount in aggregate and on a per member per month (PMPM) basis, and the cap decreases each year.

House Bill 3458 was amended in the 2014 session by Senate Bill 1582. The relevant provisions of Senate Bill 1582 revised the points at which reinsurance would apply and coinsurance levels specified in House Bill 3458 in order to align with changes made to the federal reinsurance program.

Implementation

OHA staff working on behalf of the OMIP board drafted rules for implementing the program. DCBS staff provided input, and we expect the rules to be finalized in early December.

With input from DCBS, OHA staff established the assessment for 2014 (\$3.859 PMPM, or an estimated \$72 million in total). OHA drafted a request for proposal to retain a program administrator who will be responsible for paying reinsurance claims and identifying the individuals for whom insurers may submit claims.

If you would like additional information related to either program, please feel free to reach out to me at any time.

Sincerely,



Patrick M. Allen
Director