



**Department of Consumer and Business Services**

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Before the  
**Senate Health Care, Human Services and Rural Health Policy Committee**  
**House Health Care Committee**

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**Insurance Division Health Insurance Rate Requests and Public Hearings**

Testimony of  
Lou Savage, Senior Policy Advisor  
Department of Consumer and Business Services

For the record, my name is Lou Savage. I am the senior policy advisor for the Department of Consumer and Business Services. Thank you for the opportunity to update you on health insurance rate requests –specifically, the Insurance Division’s plan to incorporate public hearings into more rate requests following a hearing the division held this past summer.

First, though, I want to note that Insurance Division Administrator Teresa Miller had hoped to be here today to tell you first-hand how the recent hearing affected our agency’s perspective on the health insurance rate review process. Instead, we sent her to Washington, D.C., to talk to a Kaiser Family Foundation conference about Oregon’s rigorous and transparent rate review process.

I am pinch-hitting for Teresa because I presided over the June public hearing – the first the division has held on a rate request in more than 20 years. Today, I would like to tell you how the hearing impacted the Insurance Division’s assessment of the rate review process and influenced our recent request for the next round of federal grant funds to improve health insurance rate review.

As many of you may already know, the June hearing involved a request from Regence BlueCross BlueShield of Oregon to increase individual health plan rates by an average 22.1 percent. These types of plans are for people such as the self-employed or those between jobs who don't get insurance through an employer.

This case prompted a public hearing both because of the size of the proposed rate increase and the number of people affected – about 59,000 Oregonians. This is the state's single-largest group of *individual* health plan policyholders.

At least 150 people turned out for the Portland hearing. In addition to hearing from Regence, they watched the division question the insurer and a consumer group comment on the rate filing. The division's questions focused on the company's estimates of future medical costs, its estimates of the cost of new benefits required by federal reform and the company's enrollment losses in this insurance market.

In the end, the division significantly reduced the rate increase from the requested 22.1 percent to 12.8 percent based on a number of factors. The division disagreed with the company's projected claims costs and estimates for including new benefits required by federal reform. Additionally, the division did not allow the company the requested 1.1 percent profit. Finally, the division's decision was based on a desire to stem enrollment losses in these plans and spur greater stability in rates going forward. Regence's individual enrollment has dropped from 100,000 in 2007 to less than 60,000 currently. A key concern was that the 22.1 percent rate increase would result in further enrollment losses – with mostly healthy people leaving – and that would drive up claims and result in similar rate requests in the future. We hope the lesser rate increase stabilizes enrollment, which will help restore this line of business to profitability.

We understand that medical care costs drive insurance rate increases, and the real key to stabilizing health insurance costs is addressing health care costs. People have asked whether this decision differed from others. The division used the same factors it always does in analyzing requests. This decision was similar to others we have made involving Regence; we aren't seeing other insurers come in with this size of a rate request, so in that respect, this case stood out.

The public hearing was revealing in other ways. We realized that while Oregon has one of the most open and rigorous processes in the country, consumers are unaware of the scrutiny the Insurance Division applies to every rate request. People who attended the hearing thanked us for the opportunity to be heard and to observe at least part of our in-depth examination of a rate request. In fact, some people who initially signed up to testify decided they didn't need to after seeing the division query Regence and listening to the comments offered by the consumer group OSPIRG.

We want to ensure the public has ongoing access to the Division's dialogue with insurers that help to determine whether a requested rate increase is justified. For that reason, we are planning to use part of our next federal grant to incorporate public hearings into many of the rate requests in the markets we regulate.

The department, in August, applied for \$4 million in federal grant funds to continue to improve our rate review process over the next three years, through September 2014. Public hearings are just one part of the planned improvements. The grant would give the Insurance Division the ability to continue our in-depth reviews and better answer consumer questions about rate increases. Before the grant expires, we will review our entire rate review process with stakeholders and in light of federal health care reforms that take effect in January 2014.

The proposed hearings, set to begin this fall, would generally take place here in Salem. They would likely be less formal and more technical than the Regence hearing. Our actuaries and a contracted consumer advocacy group would pose questions to insurance company actuaries. At the conclusion, we would open the meeting to public comment. Our grant proposal includes the technology to allow people to watch the hearings from their computers.

We held a Sept. 14 public hearing involving an ODS Health Plan rate request that will help us solidify the format for the hearings. Later this fall, we will post a hearing schedule on our website. As always, consumers can sign up on the Insurance Division website to be notified when their company files a rate request.

As you probably know, the division uses its federal grants to fund a consumer advocacy organization to take an independent look at key rate requests. We propose to use \$300,000 of grant money for each of the next three years to ensure this group's participation in the estimated 20 public hearings we will conduct annually. With an expanded role, we plan on seeking new requests for proposals (RFP) from consumer groups to ensure a competitive process.

We recently started posting to our website correspondence between division and insurer actuaries. While this correspondence is public record, it has not been readily accessible to the public. We already make public all documents an insurance company files with its rate request.

In summary, we are extremely proud of the rigorous reviews we conduct on rate filings and our thorough questioning of companies. In addition to allowing more citizens to participate in the process, these hearings provide an opportunity to educate people about the cost drivers underlying health insurance rate increases. Doing our work publicly, with a consumer group reviewing the rate request as well, will help ensure the best possible analysis of a rate request.

Thank you for the opportunity to testify today. I would be happy to answer any questions you might have.