



Economic Affairs Interim Committee

62nd Montana Legislature

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Montana Insurance Rate Review

The federal government has announced that Montana health insurance policies are subject to federal rate review under the Affordable Care Act because Montana does not have a rate review process for health insurance. Montana law does not require regular filing of health insurance rates. As of Sept. 1, 2011, the federal government will review major medical health insurance rate increases of 10% or more. Blue Cross-Blue Shield of Montana, which has the largest market share in Montana, was reported as saying that no problems are expected in filing its rate increases with the federal government.

What will the federal government be reviewing?

- Rate increases of 10% or more for major medical health insurance plans in the small group or individual markets. If the federal review results in a concern that the rate increase is unjustified, that finding will be published and posted on the federal Department of Health and Human Services (DHHS) website and that insurer's own website. In addition, those insurers may be barred from participating in a health insurance exchange. In a July news article Commissioner of Insurance Monica Lindeen was reported as saying that the federal review does not include the power to disapprove the rates.
- Medical loss ratios. Under the Affordable Care Act, major medical health insurance policies may not have a medical loss ratio (benefit payout to premiums collected) of less than 80% for small group and individual policies or 85% for large employer group policies. Rebates to consumers will be required from insurers whose loss ratios do not meet those levels.

Montana received a \$1 million grant for rate review. What is the Commissioner of Insurance doing?

- Even though the attempt to gain formal rate review for Montana failed in the 2011 legislature, the Commissioner of Insurance is following through on other goals outlined in the grant application, including enforcement of existing law that affects health insurance rates and the evaluation of premium trends in Montana.

Enforcement of Montana's existing rating laws includes reviews of: current health insurance rating practices, the trends in historical rates since 2008, and current rate increase proposals for 2011 in the individual, small group, and large group major medical health insurance market. The insurance commissioner is using existing investigative authority to conduct these reviews, which are focusing on compliance with state laws that affect health insurance rates, including:

- nondiscrimination laws, such as 33-18-206 (same risk or hazard), 33-22-526 (health discrimination), and 49-2-309 (marital status and gender).
- other rating laws, such as 33-22-1808 and 33-22-1809 for small employer group rating bands; and
- laws affecting individual health insurance rates, such as 33-22-243 (rate increases must be distributed proportionally across a block of business).

(more)

Other reviews include compliance with 33-22-244 and 33-22-521 regarding consumer disclosures to determine if the rating information in the disclosures is adequate and correct.

For the premium trend study, the Commissioner of Insurance is reviewing the trends historically and currently and conducting an actuarial analysis of the factors driving those rates. The office reports that the information is critical as a foundation for making policy decisions concerning ways to lower health insurance costs.

- For quarterly grant reports to DHHS, the Commissioner of Insurance has collected most of the rating information requested and expects to be finished by late 2011. Insurers are responding to requests for various actuarial inquiries. The office has compiled the information on historical rate increases and says that information to date on compliance with existing laws has been fruitful. The Commissioner of Insurance plans to produce by late 2011 a report containing an indepth analysis of health insurance rating that is more detailed than any previous publications.