

New Mexico Legislative Health and Human Service Commission Recommendations for Rate Review

Oregon Situation

Between 2004 and 2008, health care insurance rate increases had outpaced the rise in hospital costs. Oregon hospital operating expenses collectively climbed 40 percent. During that period, individual insurance rates increased 48 percent, and small business rates rose 59 percent.

In Oregon, insurance premium increased small businesses and individuals to join the growing ranks of the uninsured. The number of Oregon residence covered by commercial insurance dropped by 88,000 between early 2008 and the summer of 2009, many of whom joined the estimated 614,000 residents already without insurance.

Larry Kirsch, a health economist in Portland who specializes in state insurance rate review methods, says Oregon needs a more rigorous hearings process similar to what public utilities go through. With the current system, state regulators use a "paper review" process that evaluates rate increases based on trends in medical costs and other factors.

"The net effect of (Oregon's) system is that rate payers are often times paying vastly more than they should," Kirsch says.

Areas of Concern & Grant Proposal

In 2009, The PRC Insurance Division begin reviewing legislation developed by other states on needs of transparency and public disclosure due concerns by the Commission and the public related to recent rate increase in the individual market. Some of the provision adopted by Oregon address common issues for New Mexico for example:

- Double Digit Health Insurance Premium Requests
- High Rate of Uncovered Lives
- Transparency & Education
- June 7, 2010 – Grant Announced

During the first cycle of grant funding for the Health Insurance Premium Review Grant Program, each state is eligible for up to \$1 million. New Mexico Governor Bill Richardson endorsed the New Mexico Public Regulation Commission (NMPRC) and its Division of Insurance to apply for the \$1 million funding opportunity in order to enhance the current capacity in reviewing rate increase requests for individual and small group health insurance markets in the State of New Mexico.

New Mexico Legislative Health and Human Service Commission

Recommendations for Rate Review

The Public Regulation Commission (PRC) will seek legislation to bring transparency and stronger standards to its rate review process in the 2011 Legislative Session. The 2011 Legislature will be asked to pass a bill:

- **Making rate filings public,**
- **Requiring the division to post rate filings on its website, as well as other possible means by request and,**
- **Set forth the authority to release information to the public, which will be required by insurers to provide.**

The proposal for the rate review grant also commits to expand the original consumer/stakeholder advisory team that participated on this grant to ensure all potential players are engaged. The Advisory Committee will meet at least quarterly to plan, implement, and evaluate work under this grant and to discuss regulatory changes addressed below. Among other issues, PRC and the Advisory Committee will address the needs of New Mexicans in low-income and rural communities who do not have access to the internet to develop mechanisms for consumer input and communication in those communities as the Affordable Care Act is implemented.

Legislation must provide PRC and the superintendent has explicit authority to consider factors such as:

- **An insurer's investment income, surplus, and cost containment,**
- **Quality improvement efforts when reviewing a rate filing and,**
- **Insurer's overall profitability rather than just the profitability of a particular line of insurance.**

With proper statutory authority, the must develop rules and procedures to provide insurers in New Mexico separately report and justify changes in administrative expenses by line of business, and provide details about what they spend on salaries, commissions, marketing, advertising, and other administrative expenses.

The proposal calls for the review of blocks of business is usually considered reasonable, unless there are compelling reasons to determine that it is unreasonable. Rates that produce a financial loss can affect consumers by impairing the financial soundness of the insurer, reducing the insurer's incentive to provide good customer service, reducing the insurer's incentive to continue providing coverage and shifting costs to other blocks of business.