

# News

## For Immediate Release

CONTACT: Christopher F. Koller  
Health Insurance Commissioner  
401-462-9638

## Rate Factor Decisions Announced

**Cranston, RI March 18, 2010** Health Insurance Commissioner Christopher F. Koller announced today that he has approved rate factors for Rhode Island's commercial health insurers to be used for calculating commercial health insurance rates for the third and fourth quarters of 2010. The approved rate factors would result in estimated average rate increases between 6.0% and 9.9 % for businesses renewing their insurance contracts, before any changes in benefits or in the demographic characteristics of the employers.

The approved rate factors result in estimated average rate increases of between 5.5 and zero percentage points less than the amounts originally requested by insurers. The following table provides detail by insurer and employer group size.

### **Estimated Average Annual Rate Increases for q3/q4 2010 Renewals Before Changes in Demographics and Benefits**

	Blue Cross and Blue Shield of Rhode Island		United Health Care of New England and United Health Insurance Company		Tufts Health Plan	
	Requested	Decision	Requested	Decision	Requested	Decision
Small Group (1-50 employees)	14.6%	9.9%	11.5%	6.0%	9.3%	9.3%
Large Group (51+)	11.9%	9.9%	10.6%	6.3%	9.5%	9.5%

The rate factor components submitted by the health insurers consist of projected administrative costs, profit or surplus margins, and price and utilization inflation rates for five separate medical service categories. Koller recommended adjustments to these components based on public comment and analysis by OHIC staff of the submissions relative to standards promulgated by the Office. The plans had the option of accepting the adjustments and refiling their requests or requesting a formal rate hearing.

While Koller accepted Tufts filing as submitted, he recommended reductions to the hospital inpatient and outpatient pricing and utilization inflation rates for both United and Blue Cross. In addition, Koller recommended reductions in Blue Cross's administration allocation. A complete table of OHIC recommendations is available at [www.ohic.ri.gov](http://www.ohic.ri.gov).

“The status quo is not working, and the cuts in these rate factors ensure that health plans will need to be engaged in changing it.” Said Commissioner Koller. “The rate factors represent a balance between compensated providers, affordable health insurance premiums and solvent insurers.”

“Health insurance premium increases are being driven primarily by increased utilization of medical services and provider prices,” Koller continued. “The Health Insurance Advisory Council of OHIC has made it clear it expects insurers to improve the affordability of health care in Rhode Island by helping change the way health care providers are paid. These rate factor decisions reflect that. So will future decisions.”

The rate factors approved are for new contracts and renewals effective during the third and fourth quarters of 2010. Previously, health insurers had voluntarily withdrawn requests for higher rate factors for the first and second quarters. This resulted effectively in a rate freeze for six months - groups renewing their enrollment between January and June of this year are renewing at rate levels effective as of the end of 2009.

Koller also noted a troubling trend reported by both United and Blue Cross - the pool of people covered by commercial insurance appears to be aging faster than Rhode Island as a whole, making the pool's overall costs rise. It is not apparent where the young people who were in the commercial insurance pool are going but most indications are that they are increasingly becoming uninsured.

This May the insurers will be required to submit the rate factors they intend to use when calculating premiums for 2011. OHIC will conduct a similar review process at that time. "Bending these trends will require persistent collective efforts at changing provider and consumer behavior," Koller said. "The rate factor review process makes these cost drivers transparent and attempts to engage all stakeholders – health insurers, employers, employees and providers – in making the changes necessary to improve the system.

**XXXXXXXXXXXXXXXXXX**

### **About the Office of the Health Insurance Commissioner**

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the state of Rhode Island. Under this legislation, the Office is dedicated to:

1. Protecting consumers
2. Encouraging fair treatment of medical service providers
3. Ensuring solvency of health insurers
4. Improving the health care system's quality, accessibility and affordability

The Office sets and enforces standards for health insurers in each of these four areas.

[www.ohic.ri.gov](http://www.ohic.ri.gov)