

# News

## For Immediate Release

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## Rate Factor Decisions Announced

**Cranston, RI August 1, 2011** Health Insurance Commissioner Christopher F. Koller announced today that he has approved rate factors to be used by Blue Cross and Blue Shield of Rhode Island (BCBSRI) Tufts Health Plans (Tufts) and United Health care of New England and United Health Insurance Company (United) in calculating rates to be used in 2012.

The approved rate factors result in average rate increases of between 4.8 and 10.6 percent for BCBSRI, Tufts and United subscribers who are renewing health insurance in 2012, before any changes due to demographics, benefit plan design or – in the case of large group – the employer’s medical experience. The following table provides detail by insurer and employer group size.

Estimated Average Annual Rate Increases for 2011 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) | 10.5%                                      | 8.0%     | 18.0%   | 10.6%    | 4.8%              | 4.8%     |
| Large Group (51+)            | 10.5%                                      | 9.6%     | 20.1%   | 10%      | 4.8%              | 4.8%     |

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 four 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.

Koller made reductions to Blue Cross and Blue Shield of Rhode Island's proposed administrative costs. Tufts filings were accepted with no changes. Koller made extensive changes to United's projected medical trends. A complete table of OHIC recommendations is available at <http://www.ohic.ri.gov/2011%20May%20RateFactorReview.php>. The rate factor review is an annual process that takes places in May and June of each year. This year's resolution was delayed by several weeks from past years because of the extensive revisions involved in the case of United. .

“The rate factors approved represent a balance between solvent insurers, adequately compensated providers and rates of increase that risk making health insurance even less affordable,” said Commissioner Koller.

“The resulting rate factors, however, are not as affordable as they need to be,” Koller continued. “The data presented to OHIC and available for the public to see is clear – health insurance is expensive because medical care is expensive. Medical care is expensive – rising at rates of nine percent per year - because of the prices we pay and the number of services we use. More affordable rates of increase will not occur until we change the way our medical care is organized and delivered.”

In his review issued in conjunction with the rate factor decisions, Koller noted the “Affordability Standards” developed by the Office of the Health Insurance Commissioner attempt to focus health insurer efforts on these underlying cost drivers in the medical care system. The review noted general compliance by the insurers with these four standards. Specifically the accepted rate factor filings from all three carriers include signed consents from the health insurers which continue the six hospital contracting conditions developed in conjunction with last year's rate filing. These conditions require in new health plan hospital contracts: the use of efficiency-based units of payment for services; an annual

maximum price increase for services; quality incentives, administrative efficiency standards; provider communications standards and public access to these terms.

“The Affordability Standards are a necessary first step in reducing rates of medical care inflation,” Koller said. “By focusing on primary care and provider payment reform will we start to get a handle on the costs that are a source of such difficulties for purchasers. We now need to broaden and accelerate their impact - the health insurers are important partners in this process.” In his review Koller also discussed a process for developing Overall Medical Expense Trend targets for health insurers in subsequent rate factor filings.

Information on the insurers filings, the filed versus approved rate factors, the contractual conditions, public comment and other background documents are all available at [www.ohic.ri.gov](http://www.ohic.ri.gov).

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**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.

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