

DRAFT PROPOSAL to the 2011 MONTANA LEGISLATURE

RATE REVIEW AUTHORITY

The Montana Commissioner of Securities and Insurance (CSI) proposes a bill that authorizes CSI to review and approve health insurance rates. Currently Montana is one of four states with no explicit health insurance rate review authority. The Patient Protection and Affordable Care Act (PPACA) that became federal law on March 23, 2010 contains certain minimum standards relating to health insurance rates that the states need to enforce.

PPACA provides for specific medical loss ratios (MLR), or the percentage of premium insurers spend on medical services, for certain lines of comprehensive health insurance. The National Association of Insurance Commissioners (NAIC) is defining the components of MLR. Once the Department of Health and Human Services certifies that definition, it will become the minimum federal standard. Under federal law, if health insurers fall outside of the allowable MLR rebates of excess premium charges may be required. **States are in the best position to enforce the medical loss ratio in a manner that is fair to consumers and insurance companies.**

PPACA requires states to collect, review and transmit to HHS health insurance rate data. The secretary of HHS will define “unreasonable rate increase.” Each state’s healthcare marketplace is unique because of widely varying healthcare costs, availability and competition, in both the health insurer and healthcare provider market. **Therefore, CSI is better equipped to assess market challenges and make judgments of unreasonable increases based on local data.**

PPACA requires that health insurance rate information be available and transparent to consumers. **If the CSI is granted the appropriate authority, it will collect, analyze and publish local health insurance information that benefits consumers and Montana’s health insurance market.**

In addition, in 2014, all individual and small group health insurance must be adjusted community rated, with 3:1 maximum age bands, as defined in PPACA. The states must establish geographic rating areas for their state, or that task will default to HHS. **If the CSI has the authority to develop those rating areas, and collect, analyze and approve or disapprove health insurance rates, the CSI will be in a position to ensure that the minimum federal standards are uniformly enforced as to all health insurance companies operating in Montana and that all health insurance consumers are receiving the same protections.**

CSI has already received a \$1 million federal grant enabling it to collect, analyze and report rating information to HHS and to begin implementing PPACA rating reforms. PPACA allocates an additional \$200 million, which is available as grants to the state insurance departments over the next three years, for the purpose of enabling the states to develop and enhance their rate review authority. **However, it is likely that Montana will not be eligible for any further grant money if the CSI does not receive additional rate review and approval authority.** The enforcement of the MLR, findings related to “unreasonable rate increases,” and adjusted community rating may default to HHS.

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