# Montana Exchange Stakeholder Involvement Council

*Leif Associates, Inc.*

February 24, 2012

ECONOMIC AFFAIRS IC
APRIL 20, 2012
EXHIBIT 2

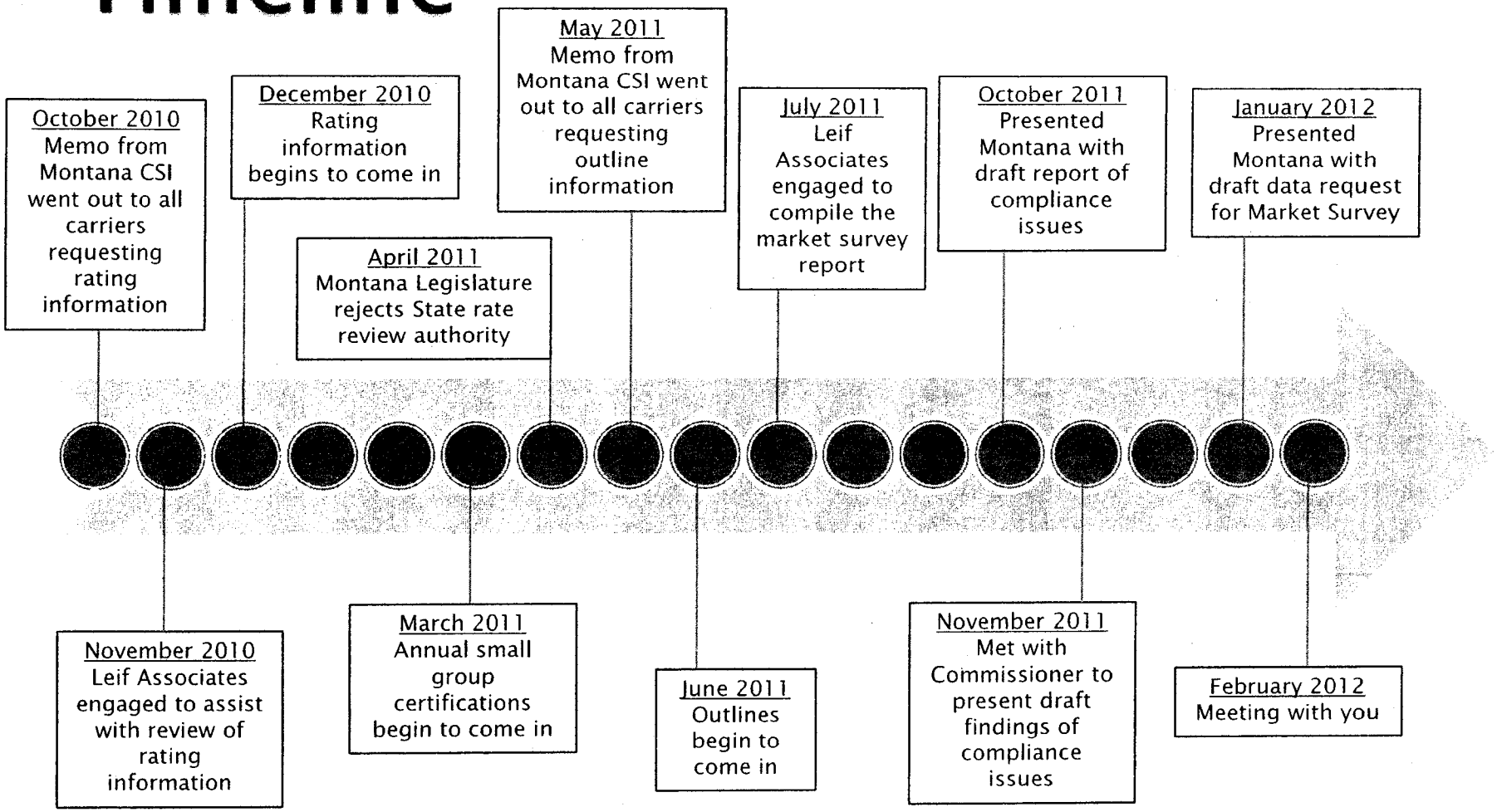
# About Leif Associates

- We are a small actuarial consulting firm.
- We focus on health insurance issues.
- We are located in Denver, Colorado.
- We have been in business since 1996.
- We have clients throughout the country, but primarily in the Midwest/Mountain region.
- We have a wide range of clients, including large employers, provider groups, HMO's, insurance companies, third party administrators, and government agencies.

# Background

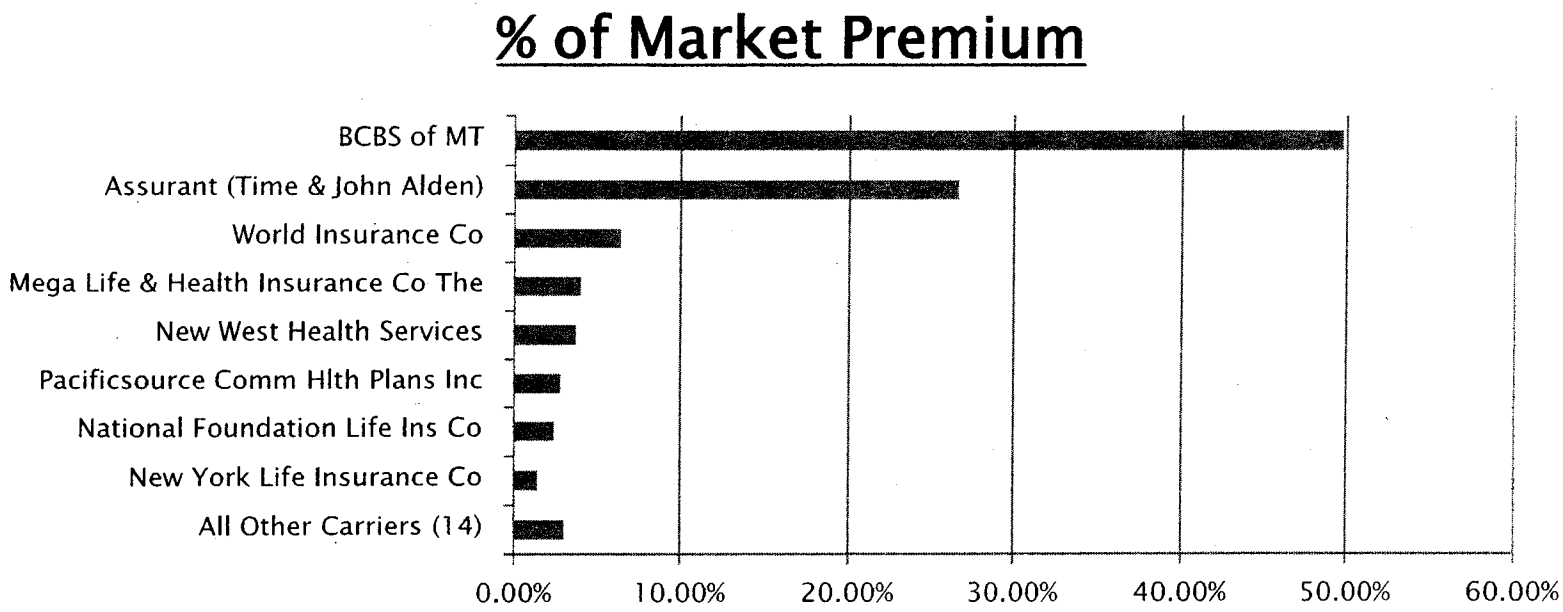
- Projects we were requested to assist with:
  - Gather, review, and advise about the current Montana marketplace as it relates to comprehensive fully insured medical plans – to help the Montana Commissioner of Securities and Insurance (CSI) fulfill requirements under the ACA and to allow the CSI to better understand the market and assess compliance with existing Montana rating laws.
  - As for compliance with Montana law, we were to review:
    - rate filings (individual, small group, large group, association);
    - small group certifications;
    - carrier outlines of coverage.
  - Produce a report on the Montana market using information gathered from a carrier survey.

# Timeline


October 2010
Memo from Montana CSI went out to all carriers requesting rating information
November 2010
Leif Associates engaged to assist with review of rating information
December 2010
Rating information begins to come in
April 2011
Montana Legislature rejects State rate review authority
March 2011
Annual small group certifications begin to come in
May 2011
Memo from Montana CSI went out to all carriers requesting outline information
June 2011
Outlines begin to come in
July 2011
Leif Associates engaged to compile the market survey report
October 2011
Presented Montana with draft report of compliance issues
November 2011
Met with Commissioner to present draft findings of compliance issues
January 2012
Presented Montana with draft data request for Market Survey
February 2012
Meeting with you

# The Montana Marketplace

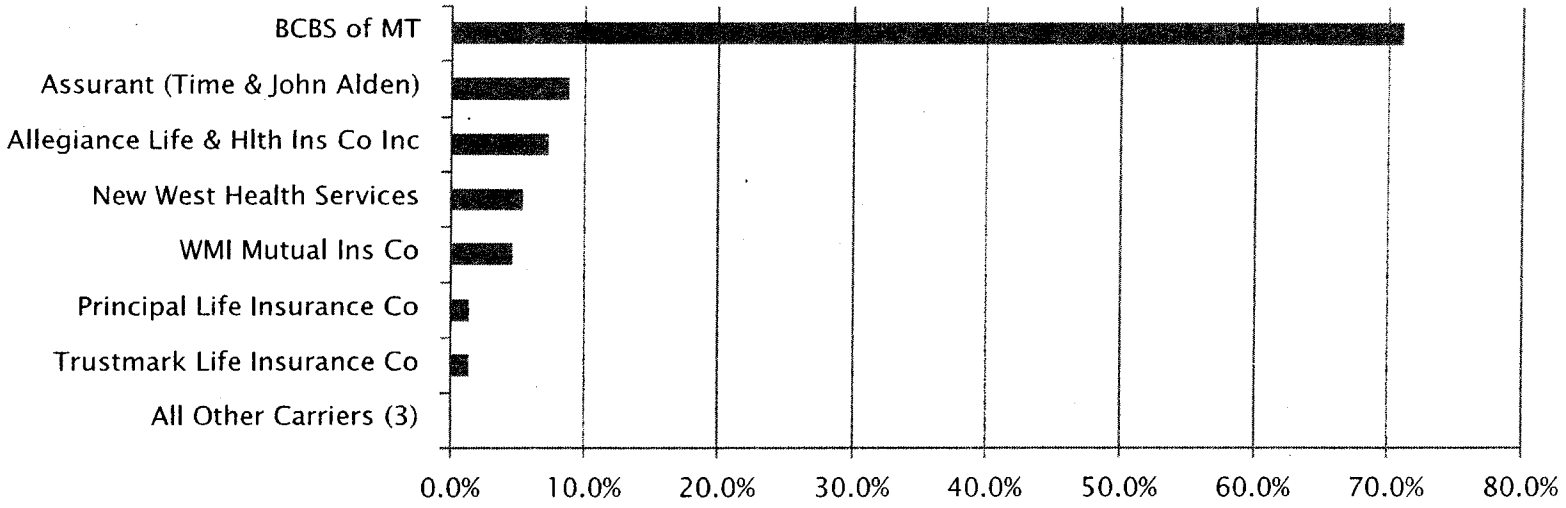
- Individual Carriers




(Based on 2010 NAIC reports - self reported by company)

# The Montana Marketplace

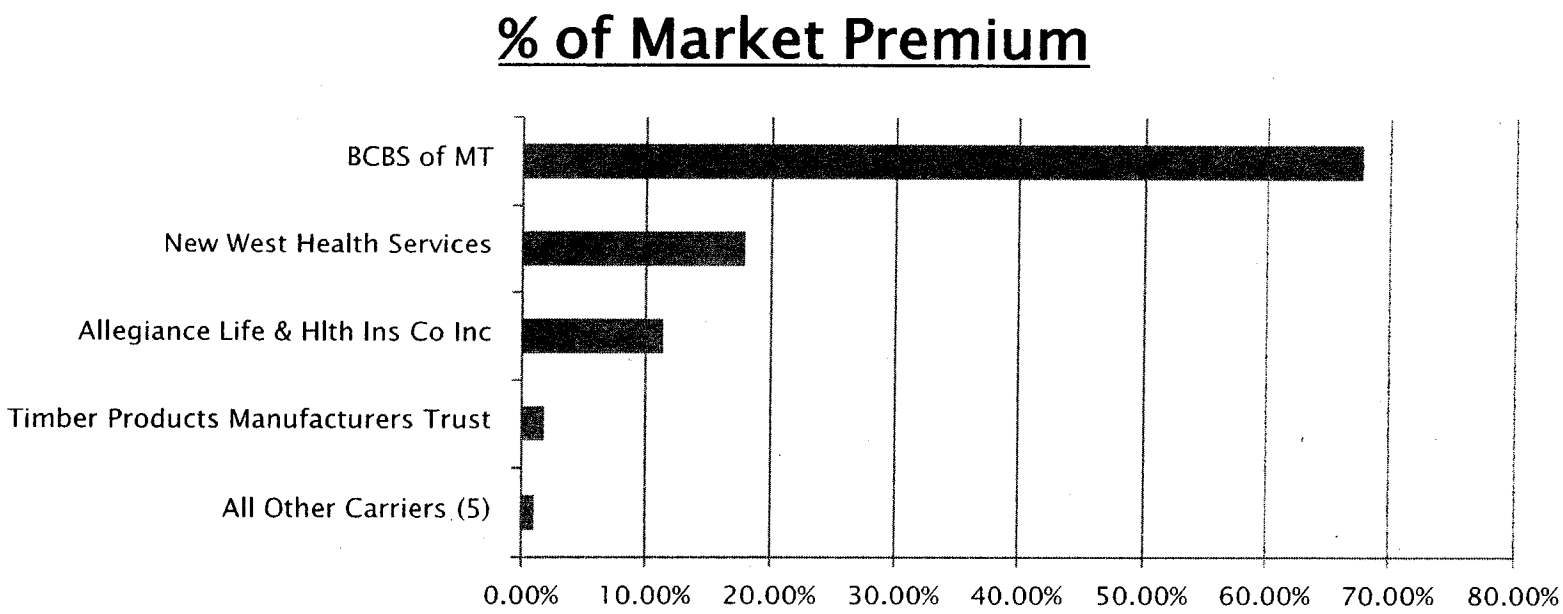
- Small Group Carriers




*(Based on 2010 NAIC reports - self reported by company)*

# The Montana Marketplace

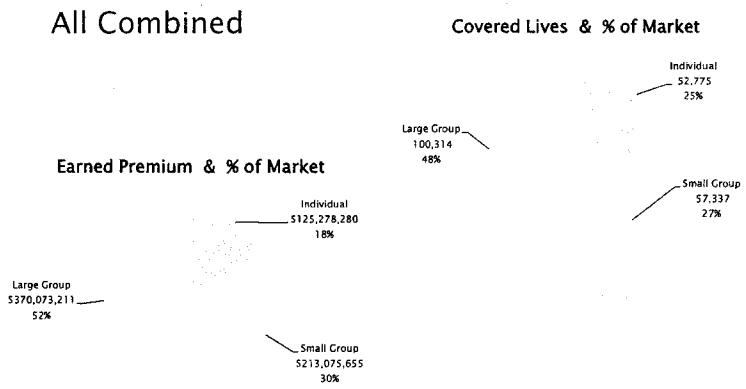
- Large Group Carriers




(Based on 2010 NAIC reports - self reported by company)

# The Montana Marketplace

## All Combined

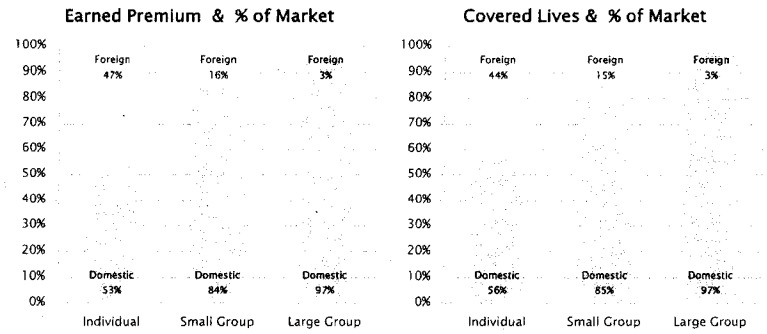



(Based on 2010 NAIC reports - self reported by company)



# The Montana Marketplace

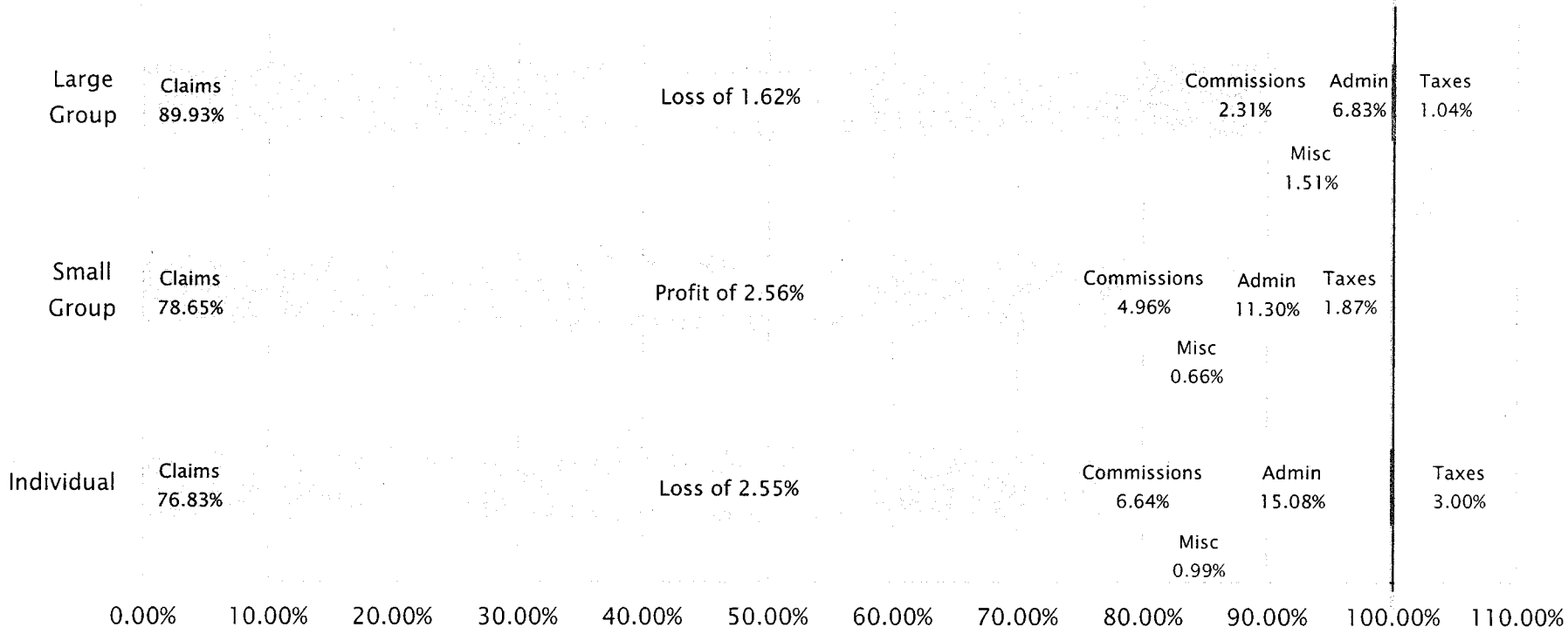
## Domestic vs. Foreign Carriers




(Based on 2010 NAIC reports - self reported by company)

# The Montana Marketplace

## Where your premium dollars go




(Based on 2010 NAIC reports - self reported by company)

# The Rate Review

- Of all these carriers in the marketplace, CSI requested more detailed 2011 information from 17 individual carriers, 10 small group carriers, 4 large/association group carriers.
- All together they represented just over 172,500 covered lives in 2011.
- Six of the individual carriers were no longer actively doing business in MT in 2011.
- Three of the small group carriers were no longer actively doing business in MT in 2011.

# Rate Filing Info

## 2011 Rate Filings Reviewed

(as of October 2011)

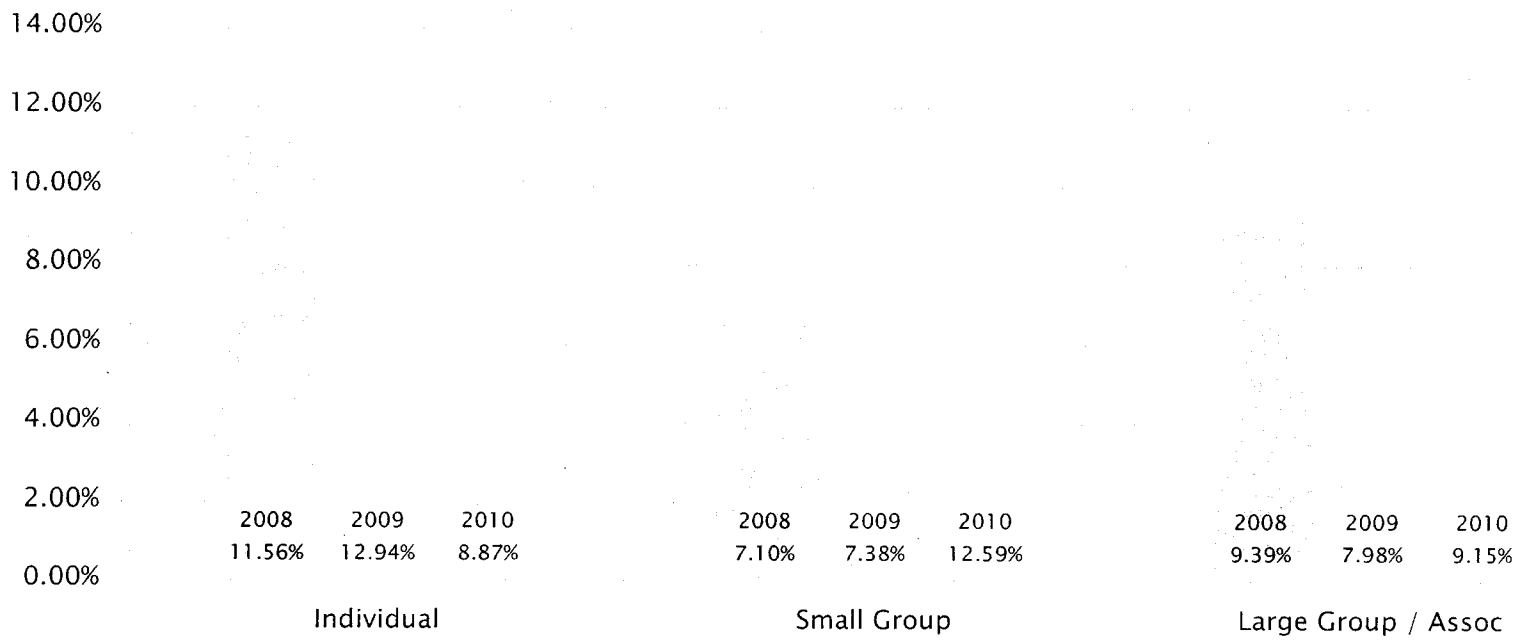
Large Group/Assoc.
15

Individual
45

Small Group
16

# The Rate Review

## Average Rate Change




(Based on rate disclosure forms - weighted on premium)

# Rate Filings – Individual

- Of the 17 individual carriers we studied, all but one had potential compliance issues.
- Issues include but are not limited to discrimination due to marital status, not issuing with a 12 month rate guarantee, raising rates on renewal for reasons other than age, and rating based on gender.
- The carrier without issue had 0 lives in early 2011, but discussed its rating intentions with CSI and Leif Associates prior to implementation of rating and made changes as needed in order to be compliant with MT law.
- A couple of carriers have already changed their [illegible] practices based on our findings.

# Rate Filings - Small Group

- Of the 10 small group carriers we studied, all 10 had potential compliance issues.
- Issues include but are not limited to discrimination due to marital status, not issuing with a 12 month rate guarantee, rating based on gender, and other violations of small group rating laws.
- All 10 carriers also were found to not be compliant with Administrative Rule 6.6.5090 which dictates requirements of rating manuals.
- Potential compliance issues of 6.6.5090 include the manual not being current and comprehensive, not having a two step method of calculating rates, having a non-compliant range of group size factors, etc.

# Rate Filings – Large & Assoc.

- Of the 4 large group and association carriers we studied, all 4 had potential compliance issues.
- Potential compliance issues include but are not limited to unfair discrimination, discrimination due to marital status, not issuing with a 12 month rate guarantee, rating based on gender, and failing to provide full and truthful information to the inquires of the commissioner or commissioner's designee.

# Small Group Certifications

- Assisted Montana actuary in developing the certification requirements for 2011 and 2012.
- Assisted Montana actuary in reviewing the 2011 certifications for eleven carriers.
- Most issues were resolved through clarifying follow up questions.
- Potential compliance issues include but are not limited to certifying to inaccurate information, not issuing with a 12 month rate guarantee, and utilizing non-compliant factors.

# Outlines of Coverage

- MCA 33-22-521 and MCA 33-22-244 require group and individual carriers to provide specific disclosure info to applicants in the form of an "Outline of Coverage", such as benefits, cost shares, rating factors, historical trend info, etc.
- We reviewed outlines for 15 individual carriers, 8 small group carriers, 4 large/ association group carriers.
- No carrier was compliant with the entire Outline law.

# General Issues

- In general, a significant portion of the information provided for review was originally incomplete and/or inaccurate.
- There has been much back and forth to get the complete and correct information from the carriers.
- For example, rating manuals were incomplete, rate filings were for the wrong period, answers to questions were inaccurate, etc.
- The state has gained much knowledge of how carriers are rating policyholders throughout this review.

# Next Steps

- Work with Montana on documentation of compliance issues and possible corrective action.
- Work with Montana on remaining issues from reviews over past year.
- Assist with ongoing rating issues as they arise.
- Market Survey –
  - Distribute data request to carriers,
  - Review and compile data gathered,
  - Finalize market survey report.

# Closing

Questions?