

OLIVER WYMAN



June 23, 2011

Recommendations to the Commissioner on Information Provided to Consumers Maryland Insurance Administration

Tammy Tomczyk, FSA, MAAA
Karen Bender, ASA, MAAA

Background and Research

- Consumer transparency in the Affordable Care Act (ACA)
- Information currently available to Maryland consumers
- Information currently available to consumers in other states
- Recent regulation affecting consumer transparency in other states

Consumer Focus Groups

- Make-up of focus groups
- Topics discussed
- Materials presented

Recommendations

- Consumer notification related to rate increases
- Consumer input into the rate review process
- Materials made available to consumers (content and format)
- Consumer outreach and staffing considerations

Background and Research

Affordable Care Act

- Signed into law on March 23, 2010
- Includes goal of increasing the transparency of rate making and rate filing/review

Consumerism Aspects of Rate Increase Disclosure and Review Regulations

- Carriers must submit justification for increases that exceed a stated threshold
 - Justification must include a description of rating methodology, factors driving rate increases and experience of the block
- Posted to HHS' website, State's website,* and carrier's website
- Mechanism for receiving public comment on proposed rate increases is required*

* Final regulations had not yet been released by HHS at the time our analysis was conducted. Therefore, our report dated May 17, 2011 was based on draft regulations. This requirement was not part of the draft regulations, however was included in the final regulations released May 19, 2011.

Information Currently Available to Maryland Consumers

- Tips for purchasing insurance
- Information on how the Administration can assist consumers (e.g., complaints, appeals)
- Listing of carriers licensed to sell insurance in Maryland
- Summary of consumer complaints against carriers
- Market share and loss ratio information by carrier

Information Not Currently Available in Maryland

- Online access to rate filings
- Notification to consumers when carriers request a rate increase
- Information on how the Administration reviews/approves rate increase requests
- Consumer friendly information on how health insurance rates are developed

Background and Research

<u>Type of Information</u>	<u>Maryland</u>	<u>Oregon</u>	<u>Colorado</u>	<u>Maine</u>	<u>Florida</u>	<u>Connecticut</u>	<u>South Carolina</u>	<u>Virginia</u>	<u>Washington</u>	<u>Rhode Island</u>
Post Notice of Rate Increase Filed		X		X	X	X	X		X	X
Post Copy of Rate Filing		X		X	X	X				X
Allow Consumers to Post Comments on Rate Filings		X				X				
Allow Consumers to Subscribe to Email Updates on Rate Filings		X								
Notification of Approval Posted		X			X	X	X		X	X
Post Summary of State's Decision on Rate Increases On-Line		X		X		X				X
Regular Public Hearings on Rate Filings				X	X					X
Describe State's Rate Review Process		X	X	X		X				X
General Information on Health Insurance (FAQ)	X	X	X	X	X	X	X		X	
General Information on Rate Making Process		X		X		X			X	
Company Specific Market Share Reports	X	X		X	X	X	X		X	X
Company Specific Loss Ratio Reports	X	X		X	X				X	X
Information on Mandated Benefits	X	X				X				
Glossary of Insurance Terms	X	X	X	X		X	X	X	X	
Separate Page Dedicated to HCR	X	X	X	X		X	X	X	X	X
Tips/Guide for Purchasing Health Insurance	X	X	X	X	X	X	X	X	X	
Listing of Licensed Carriers	X		X	X	X		X	X	X	

Regulatory Action by Other States Affecting Consumer Transparency

California

- Requires a 60-day public notice of rate increases
- Requires a “plain-language” description of the filing be submitted and posted on the regulator’s website
- Requires results of rate reviews be posted on regulator’s website

Connecticut

- Notice to policyholders when a rate increase is requested
- Public comment period before an increase is approved

Nevada*

- May require rate increase requests and experience must be posted on insurer’s website 30 days prior to approval
- Public may request a rate hearing for rate changes over 10% for plans that represent more than 5% of the market

* Not signed into law at the time our research was completed

Regulatory Action by Other States Affecting Consumer Transparency

New Mexico

- Requires 30-day comment period on all rate filings
- Allows policyholders to request a rate hearing on a Superintendent's decision

Oklahoma*

- May require State to post rate filings and consumer friendly summaries for individual policies

Washington

- Rate filings must be made available to the public (actuarial formulas and assumptions will remain confidential)
- A summary must be developed and available to the public for each filing which explains the Commissioner's findings

* Not signed into law at the time our research was completed

Consumer Focus Groups

Purpose was to Gather Information on:

- Consumer awareness of the Administration
- Consumer awareness of the resources the Administration provides regarding health insurance premium rates
- Consumer awareness of the Administration's role in the rate approval process
- Consumers' desire to have access to more information
 - Type of information
 - Method(s) for obtaining information

Make-up of Focus Groups

- Maryland consumers (3 groups)
 - Consideration for consumers where English was not their first language
- Maryland employers (2 groups)
 - Only included small employers (2-50 employees)
 - Only included employers that offered coverage to their employees at some point during the past five years

Consumer Focus Groups – Gender Composition

Distribution by Gender Focus Groups vs. Maryland

	Male	Female	Male	Female
Consumers	7	11	39%	61%
ESL Consumers	4	5	44%	56%
Small Employers	9	5	64%	36%
Total	20	21	49%	51%
Maryland			49%	51%

Source: U.S. Census Bureau, 2009 American Community Survey

Consumer Focus Groups – Distribution by Age

Distribution by Age[⊛]
Focus Groups vs. Maryland Population

	26-30	31-40	41-50	51-64
Consumers	17%	39%	17%	28%
ESL Consumers	22%	44%	22%	11%
Total	19%	41%	19%	22%
Maryland *	13%	25%	29%	33%

*<http://www.census.gov/popest/states/asrh/files/SC-EST2009-AGESEX-RES.csv>

The younger age of the focus group could be a result of excluding State and federal workers

⊛ May not sum to 100% due to rounding

Consumer Focus Groups – Distribution by Ethnicity

Distribution by Ethnicity - Focus Groups[⊛]
Focus Group vs. Maryland

	African American	Asian	Caucasian	Hispanic	Other
Consumers	28%	0%	72%	0%	0%
ESL Consumers	11%	11%	11%	56%	11%
Total	22%	4%	52%	19%	4%
Maryland *	29%	5%	57%	7%	2%

* Source: U.S. Census Bureau, 2009 American Community Survey

Slight over-representation of Hispanic population is likely the result of our desire to recruit individuals with English as a second language in one of the three consumer focus groups

⊛ May not sum to 100% due to rounding

Consumer Focus Groups – Distribution by Source of Insurance

Distribution by Source of Insurance[⚙] Focus Groups vs. Maryland

	Private	Employer	Uninsured
Consumers	44%	44%	11%
ESL Consumers	22%	67%	11%
Total	37%	52%	11%
Maryland *	6%	75%	19%

* <http://www.statehealthfacts.kff.org/profileind.jsp?ind=130&cat=3&rgn=22&cmprgn=52>

Focus groups' rate of insurance coverage is about the same as the Maryland population in general

Over-representation of consumers with private coverage is a result of targeting a 50/50 mix of private and employer coverage

[⚙] May not sum to 100% due to rounding

Consumer Focus Groups – Distribution by Insurance Carrier

Distribution by Insurance Carrier[⚙] Focus Groups vs. Maryland

	Aetna	CareFirst	Guardian	Kaiser	UnitedHealthcare	Unknown
Consumers	14%	43%	0%	21%	14%	7%
ESL Consumers	13%	63%	13%	0%	0%	13%
Subtotal Consumers	14%	50%	5%	14%	9%	9%
Small Employers	0%	50%	0%	7%	14%	29%
Total Focus Groups	8%	50%	3%	11%	11%	17%
Maryland *	10%	59%		9%	13%	

* <http://dhmh.maryland.gov/healthreform/pdf/Exchange/100810insurancemarketpp.pdf>

⚙ May not sum to 100% due to rounding

Small Employer Focus Groups – Distribution by Group Size

Small Employer Focus Groups[⚙] Distribution by Group Size

Group Size (No. of EEs)	Groups
2 - 5	29%
6 - 10	29%
11 - 20	7%
21 - 30	7%
31 - 40	14%
41 - 50	14%

⚙ May not sum to 100% due to rounding

Small Employer Focus Groups[⚙] Distribution by Employer Contribution

Employer Contribution	Groups
50%	21%
60%	7%
70%	7%
100%	21%
100% Single	36%
Flat \$	7%

[⚙] May not sum to 100% due to rounding

Topics for Which Focus Group Input was Sought

- Drivers of health insurance premium increases
- State of Maryland's role in reviewing rates
- Familiarity with the Administration and its role
- Where consumers and small employers look for answers about health insurance
- Information consumers and small employers would like access to
- Most efficient and effective manner in which to disseminate information to consumers
- Notification of rate increase requests and approval

Draft Materials Presented to Focus Groups for Comment

- Role of the Maryland Insurance Administration
- Rate increase review and decision summary (2 formats)
- Health insurance rate development

Recommendations

The Administration's Website

- Develop a separate area dedicated to health insurance rates

Notification of Premium Rate Changes*

- Post non-confidential portions of rate filings on the Administration's website
- Post consumer friendly summary of rate filings
 - Model after Federal Part I preliminary justification form
- Notification of an approved premium rate change
 - Require all carriers to provide notice of premium rate changes 45 days prior to effective date
 - Post a consumer friendly summary of the Administration's decision on its website for each filing reviewed (Appendix E)
- Research IT costs associated with enabling consumers to subscribe to receive automated e-mails when the Administration posts a rate filing notification or rate change decision summary

*Applies only to individual and small group filings

Consumer Input Into the Rate Review Process

- Develop mechanism for receiving public comment on proposed rate increases*
- Investigate costs associated with developing an electronic bulletin board

General Information on Rate Making and Rate Review

- Develop general educational material and FAQs related to rate making and the rate review process
 - Post to the Administration's website
 - Include in brochures and place at locations frequented by consumers and distribute at outreach appearances

Outreach and Staffing

- Reassess current outreach programs
- Assess available IT resources to determine if increased needs can be met with current staff
- Assess additional staffing needed to support increased consumer transparency

* This recommendation is not included in our report, however final Rate Increase Disclosure and Review Regulations published by HHS after issuance of our report requires states to provide for public comment on rate filings as a criteria of having an effective rate review program.

Questions