

**Office of Consumer Information and Insurance Oversight**

**Alabama Department of Insurance  
Third Quarterly Report**

**Part I: Narrative Report**

**Submission Date: July 18, 2011**

**State: Alabama**

**Project Title: Grants to States for Health Insurance Premium Review-Cycle 1**

**Project Quarter Reporting Period: Quarter 3 (04/01/2011- 06/31/2011)**

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**Introduction:**

This report will update grant activity subsequent to the second quarter report which was submitted 4/08/2011.

Rate review approval legislation drafting for submission to our legislative body was completed in early April.

A review of the rate review process as outlined in the Federal Register proposed rule for 45 CFR Part 154, as the basis for our current rate review process, was completed in May.

**Program Implementation Status:**

1. Accomplishments to Date:
  - a. Legislation bill drafting completed and given to our Governmental Affairs Manager for presentation to Legislature.
  - b. The rate review standardization process is complete.
  - c. Examination work on two domestic carriers is complete and is in the report writing stage. All foreign carriers included in the data request have submitted their data and is in the process of being reviewed.
  - d. The review of the DOI websites is 95% complete.
  
2. Challenges and Responses: Our biggest challenge in developing appropriate legislation has been due to the election year in Alabama. A new Governor, Lieutenant Governor, Secretary of State, and Attorney General were elected in November and all are Republicans. Additionally, there is now a Republican majority in both the Senate and House—the first time since Reconstruction in the 1800s. The DOI must establish new contacts and develop strong ties in order to find sponsors for any proposed legislation. As the DOI has worked to build public awareness, the number of stakeholders involved has been surprisingly larger than expected. There has been minimal change here. We are still trying to establish the appropriate contacts within the new administration and legislature. While this has been a slow process, we definitely made some progress; but, unfortunately, this was not a Legislative priority for this annual session.
  
3. Any required variations for the original timeline:
  - a. As stated above, finalization of legislation was completed in early April, 2011.
  - b. Review of standardized rate review procedures was completed in May, 2011.
  - c. Due to state budget constraints after the end of the grant year, the DOI suspended the hiring of a consumer specialist, communications specialist and a ‘permanent project director’ indefinitely. This has not changed.

- d. The completion of the redesign, enhancement and merging of the DOI's websites has been revised to August 30, 2011, and was assigned to our consulting actuary for completion and DOI staff for review.

**Significant Activities: Undertaken and Planned:**

Our rate review legislation was completed in early April, 2011, and, after thorough review by DOI staff, was given to our Governmental Affairs Manager to present to the Legislature for introduction. Unfortunately, due to other priorities in this Legislative session, our bill did not get introduced and thus the DOI is left without any rate approval authority until at least the next Legislative session in early Spring, 2012.

Our actuary and other DOI staff have reviewed our rate review process to ensure it will meet the Federal standards of an 'effective rate review program'. This was completed in May, 2011. However, on June 24, 2011, CMS/CCIIO notified the DOI that their preliminary finding was that Alabama does not meet all of the criteria for an Effective Rate Review Program in all markets as described in 45 C.F.R. 154.301. One of the main reasons for this was that Alabama's determination of whether a rate increase was unreasonable was not made under a standard that is set forth in State statute or regulation per 45 C.F.R 154.301(a)(5).

Our consulting actuary has finished his initial review of the two DOI websites. Our initial plan was to merge the two and redesign our primary DOI website to incorporate these changes. However, due to the amount of information and the quality of the existing information on the second website, we have now determined it would be best to keep this second domain website and revise it to include a separate ACA section that can be updated on a timely basis as new information is generated. The DOI staff will now begin the review of our consulting actuary's work and to collaborate with our IT Division as what is the best way to incorporate these changes. We hope to have this finished by August 30, 2011. As a side note, our IT Division has informed us they are in the process of completely redesigning our main DOI website and that should be finished by year-end.

Required HHS rate data reporting was completed through the Health Insurance Oversight System on April 11, 2011, using the NAIC SERFF system data.

**Operational/Policy Developments/Issues:**

The DOI plans to pre-file our rate approval authority legislation in December, 2011, prior to the beginning of the next Legislative session which begins in late January/early February 2012. We have learned that resources may be available through Georgetown University and/or the Robert Wood Johnson Foundation to assist us in ensuring that our proposed legislation will meet the CMS/CCIIO criteria and we will likely pursue this option.

**Public Access Activities:**

Historically, all actuarial data and methodology for rate determination have been considered confidential proprietary information and not available for public viewing unless the company agrees to the release of this data or as a result of an order of a court of competent jurisdiction. In order to make the process more transparent and public information, some existing statutes and regulations will need to be amended or repealed. While this was not accomplished in the 2011 Legislative session, a thorough examination of the existing statutes and regulations must be made prior to our Legislative efforts for 2012. Additionally, there is potential for considerable opposition to the public release of this data by the insurance industry. The DOI must develop a strategy of overcoming this opposition by meeting with and informing the incoming new legislators of the need for these changes. This issue has not changed.

**Collaborative efforts:**

The DOI developed examination procedures for examining the initial rates submitted by companies. These examination procedures involve reviewing the prior experience of the company, including sampling. The DOI has been in contact with the six companies that are or will be undergoing a premium rate review examination. Data from all six companies has been received. Our consulting actuary and two of our Examiners have completed the data review for our two domestic carriers and are now in the report-writing stage. These reports should be completed by early August along with the data review of the remaining foreign carriers. With each examination the process has become more streamlined and effective. Additionally, the DOI has been responsive to the companies--answering numerous questions and clarifying issues that the Affordable Care Act raises. To keep abreast of national issues, the DOI has participated in numerous conference calls and webinars with the NAIC regarding the reporting of data through the SERFF system. These collaborations have made reporting and data collection easier for all involved.

**Lessons learned:**

One of the key challenges has been ensuring staff have adequate time to plan, coordinate and implement procedures which are part of the grant project. State budget constraints have placed significant resource stress on the DOI and staffing levels have been severely impacted. The DOI has been required to do more with less due to the increased demands of the Affordable Care Act and the day-to-day state regulatory issues. It is expected that as state revenues continue to shrink, the situation will only worsen. This situation has not changed.

**Updated Budget:**

Please find a list of expenditures for the third quarter. There were no unforeseen expenditures and total expenditures to date have been less than originally projected. Budget amounts have not changed for the second quarter. Through an inadvertent accounting error, we charged funds in the amount of \$54,588.15 to the Cycle I grant that should have been charged to a State account. We have been in contact with the Division of Payment Management regarding this and these funds will have been repaid to the grant on July 7, 2011.

**Updated Work Plan and Timeline:**

Updated Work Plan and Timeline attached.

**Enclosures/Attachments:**

1. Attachment A: list of expenditures for quarter three
2. Attachment B: updated work plan and timeline

**Part II: Health Insurance Rate Data Collection**

This is a new comment section for the third quarter report per an email from Alicia Hartlove from CMS/CCIIO dated June 20, 2011.

Robert Turner is primary contact person in Alabama for SERFF for form filings and the DOI actuary, Steven Ostlund, for rate filings. Mr. Ostlund reviews the rate filings for completeness of data and filing fields as well as compliance with any applicable Alabama statutes, regulations and bulletins. Since the SERFF system has been updated, the companies must complete all data fields for rate filings that fall under the grant requirements. We try to correct any discrepancies, missing data and incorrectly filed filings on a timely basis before a SERFF disposition report is

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submitted. Mr. Turner periodically reviews the Draft Reports under the HHS Detail Report tab in SERFF for accuracy and takes corrective action as necessary using post-submission updates. A week or so before the end of a quarter, Mr. Turner performs another review on the Draft Report to try and ensure that the data is as accurate as possible.

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