

Applicant Title: Rate Review Grant Cycle II – Phase I
Applicant: Oregon Department of Consumer and Business Services, Oregon Insurance Division
Program: The Health Insurance Rate Review Grant Program
Funding Opportunity: PR-PRP-11-001
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The Department of Consumer and Business Services, Oregon Insurance Division (department), is requesting \$4,040,777 in federal funds for proposed enhancements to our rate review process for grant Cycle II. Oregon has some of the strongest rate review regulations in the nation and has focused on extensive transparency efforts with Cycle I enhancements. This Cycle II grant proposal will prioritize making our process even more understandable and accessible to consumers, providing a window into our regulatory process as we help consumers better understand health insurance rates. With this funding, it is our goal to continue the high level of rate scrutiny established with Cycle I, while providing consumers a greater opportunity to take part in and understand the review process. The department plans to:

Continue Cycle I enhancements: The department will continue funding the four employee positions created under the Cycle I award, including an actuary, a project coordinator, a market analyst, and a rate filing intake coordinator. The department will fund a consumer advocacy organization to provide rate filing comments on behalf of Oregon consumers. This organization will also be charged with participating in public hearings for individual and small group rate filings. Finally, the department will evaluate Cycle I study recommendations to lower the underlying cost of health care through the rate review process and determine next steps.

Improve our rate review process: The department will hold public hearings for individual and small group rate requests and publish all correspondence between department actuaries and insurance companies.

Participate in consumer education and outreach: The department will create new consumer education opportunities with the goal of explaining our process and the main cost drivers of health insurance rates. We will create a new rate review publication and attend various outreach events.

Provide resources necessary for an increased workload: The department will hire four new positions to carryout Cycle II enhancements. A health insurance rate liaison will be charged with answering consumer questions about rate filings. An additional actuary will provide rigorous rate review and help alleviate workload constraints. A health reform/exchange coordinator will support information requests made to the department by the Exchange and assist with federal and state reform efforts that impact our rate review process. Finally, an administrative assistant will help streamline processes and organize hearing related events.

Implement equipment and IT advances: To achieve our goal of making our process even more accessible and understandable, the department will purchase video equipment to broadcast hearings across the state. We will enhance our website by producing interactive charts which allow consumers to compare rate filing information. Finally, we will develop online displays for rate filing disclosure forms and work to automate internal processes and organize information in a manner easy to navigate for consumers.

The department plans on using \$2,716,515 of grant funds on personnel, including all fringe benefits and related direct/indirect costs. \$900,000 will be spent on supporting a consumer advocacy organization to participate in our comment and public hearing process. The remaining \$424,262 will be spent on various services, including outreach, publications, evaluation consultants and IT enhancements. In total, the department will use \$4,040,777 in federal funds through federal fiscal year 2014.

Health Insurance Premium Rate Review Grant Cycle II, Phase I

Oregon Department of Consumer and Business Services, Insurance Division

Project Narrative

a) PAST PROGRESS AND CURRENT RATE REVIEW PROGRAM/PROCESS

General Health Insurance Rate Regulation Information:

The Oregon Department of Consumer and Business Services (DCBS), through its Insurance Division (department), must approve/disapprove all rates for individual, small employer and portability health insurance before they can be used in this state. As declared by the Secretary of Health and Human Services (HHS), Oregon has an effective rate review process for the individual and small group markets. This Project Narrative seeks to justify our proposal for the \$3 million Baseline award and the supplemental “Performance” and “Workload” funds, for a combined total award of \$4,040,777. The department currently does not review or regulate rates in the large group health insurance market.

Oregon is among a handful of states that use modified community rating in the individual and small group markets. In the individual market, rates must not vary from the individual geographic average rate except that rates can be adjusted based on age, family composition, and benefit design. The rates can't vary based on an individual's health or claims history, or any other characteristics of the individual (i.e., gender). (ORS 743.767 and OAR 836-053-0465). In the small group market, rates can vary from the geographic average rate by 50 percent (a three-to-one rate band) based only on one or more of the following factors: the age of employees and their covered dependents, family composition, benefit design, employer contributions, participation rates, employee and dependent tobacco use, participation in wellness programs, customer loyalty, and expected claims experience not to exceed 5 percent. (ORS 743.737 and OAR 836-053-0065). Portability plan rates are reviewed to ensure the insurer followed the statutory formula for developing portability rates, which are based on the insurer's small and large group rates. (ORS 743.760 and OAR 836-053-0780).

Health Insurance Rate Review and Filing Requirements:

As evidenced in Appendix F, the department requires all rate filings for individual and small group health plans to include: a filing description, rate filing summary, actuarial memorandum, rate tables and factors, plan

relativities, development of rate change or base rate, trend information and projections, premium retention, worksheet for individual health benefit plan rates, covered benefit or plan design changes, cost containment and quality improvement efforts, insurer's financial position, certification of compliance, third-party authorization, and a statement of administrative expenses.

Cycle I grant funds were not used to make statutory changes to our process. However, we are creating new rules designed to help consumers better understand medical cost breakdowns and general rate filing information during Cycle I efforts. Working with consumers and insurers, we are in the process of adopting the use of the federal disclosure form titled "Consumer Disclosure about Proposed Health Insurance Rate Increase" to be used on all individual and small group rate filings. We will use Cycle II funding to bring stakeholders together to design our website layout for such information, as detailed on page 17 below.

Our review process begins after the department receives a rate filing submission, at which point, our intake coordinator reviews the filing to ensure the filing contains the required documentation. A market analyst and actuary then review the filing to determine if the contents meet the standards set by administrative rule. If approved by the market analyst and actuary, the rate filing is then considered complete and is scrutinized by our actuaries, who communicate follow-up questions with insurers to ensure the data received is accurate and addresses the proposed rate change. As soon as the filing is deemed complete, administrative staff publishes the complete rate filing on our website and send e-mail notification to those subscribed to our rate review tracking system. Once the entire filing is posted, a 30-day public comment period begins. All comments received are also posted to the website. Using Cycle I grant funds, we enhanced this process to include greater consumer representation. Through a competitive process, we contracted with the consumer advocacy group OSPIRG (Oregon State Public Interest Research Group) to perform comprehensive reviews of select rate filings on behalf of Oregon consumers and small businesses. These comments become a part of the public record and are highlighted on our website. (See Appendix G).

After the public comment period ends, the insurance administrator convenes the rate review committee, consisting of four or five staff members depending on the filing. Those staff include: the insurance administrator, deputy administrator, operations manager, and one or two health actuaries. After committee

review and discussion of the filing, the insurance administrator makes a final decision on rate approval, modification, or disapproval. Once a determination has been made, the department publishes a rate decision summary explaining in plain language the reasons for the department's decision. When OSPIRG provides comments, we prepare a written response that addresses its concerns and explain why we agree or disagree with their comments. The written response to OSPIRG's comments is posted to our website. Finally, administrative support staff post the decision and summary on our website and e-mail subscribers, alerting them that a new decision has been posted.

Oregon rate review statutes require the department to ensure that the proposed rates are reasonable and not excessive, inadequate, or unfairly discriminatory, as authorized by ORS 742.005 and 743.018. Department actuaries consider two fundamental questions about each rate filing: Is the aggregate rate request justified? Is the request fairly allocated among rate payers? The department has explicit authority to consider: historical and projected loss ratios, historical and projected trend, historical and projected administrative costs, net income targets, as well as an insurer's investment income, surplus, and cost containment and quality improvement efforts. The department considers an insurer's overall profitability rather than just the profitability of a particular line of insurance. Additionally, the department separately reviews changes in administrative expenses by line of business.

In addition to the factors explicitly listed in the statute, the department also considers whether the request is for a closed block of business, previous rate changes and anticipated changes in the number of enrollees. In some circumstances, in order to lessen the financial burden on consumers, the department has denied rate requests for very small closed blocks of business and modified (reduced) requests for significant rate increases when those requests came on the heels of previous large rate increases.

During the past year, we used Cycle I funding to bolster scrutiny of each rate filing and provide understandable information for consumers. As we work to improve this process, we have been challenged with a surging workload resulting from enhanced review and our emphasis on validating underlying data. Oregon could not have made Cycle I enhancements without the addition of four new rate review staff members. We

anticipate further workload relief, based on the proposed hiring of four additional employees with Cycle II funding (See section B).

While we prioritize offering plain-language and accessible information to consumers, we are constantly challenged with providing technical rate filing information in a consumer friendly format. Consumer comments, especially those presented by OSPIRG, provide the department valuable direction as we identify areas of concern. However, it takes considerable time to make our decision summaries understandable to the average consumer. We used Cycle I funds to create our new website www.oregonhealthrates.org, which aims to present information to the public that is understandable and easy to navigate, but we know there are many content improvements still to make. We are also challenged by reaching Oregonians who live outside the main metro-areas of Portland and Salem. We intend to use Cycle II funding to invest in video equipment to reach these communities over the Internet (see pages 16- 17 below).

Current IT and Systems Capacity:

Oregon receives a majority of its rate filings through SERFF (System for Electronic Rate and Form Filing), although the department does accept paper filings as well. Recently implemented nightly processing replaces manual processes to download all new submissions and changes into our local Oregon data system. Department employees manually enter additional data to the Oregon system that is specifically designed to display pertinent and useful information to consumers on our website. The automated download avoids duplication of work and potential errors. We are currently working on the infrastructure to create improved data processes which will effectively organize rate information. It is our Cycle II goal to allow posting of rate schedules (charts of approved rates) to allow rate comparison between carriers in one common place on our website. Improved data processing should enhance our capacity to extract data from our system to ensure we are able to respond to particular inquiries about our rate review process or approval of rate requests.

Current Resource Capacity for Reviewing Rates: Budget and Staffing:

The department has an annual budget of \$10,771,978, to support all administrative, financial regulation, and market regulation activities. We have an annual projected revenue of \$11,278,094 financed from other funds, primarily fees and assessments paid by insurance companies and producers as follows: Insurance

premium assessments; license fees and charges for services; company examination fees; investment income and workers' compensation premium assessment. Of the annual budget, the department spent approximately \$773,157 this fiscal year on rate review. Of those funds, \$436,262 came from the Cycle I award. Cycle I allocations through June 30, 2011 include salaries and benefits for two full time actuaries¹, a project coordinator, a market analyst, and an administrative assistant. In total, \$120,003² was spent on salaries, \$40,503 was spent on Other Payroll Expenses (fringe benefits), \$379 was spent on supplies, \$149,304 was spent on contractual obligations, \$21,367 on transparency and efficiency enhancements, \$30,666 on indirect costs and \$73,940 in other costs.

Currently, nine staff members are responsible for the department's rate review process. *Administrator:* Teresa Miller has a strong background in legislative and policy issues, having served as legislative director to a former Governor, a lobbyist for several businesses and organizations, and an attorney for the Oregon Department of Justice. Ms. Miller has a law degree from Willamette University College of Law and a bachelor's degree in political science and psychology from Pacific Lutheran University. Ms. Miller has been leading our 100-employee department as administrator since July 8, 2009. She served as acting administrator from November 2008 to July 2009. Ms. Miller has helped move rate review to the forefront here in Oregon and plays a leadership role in each rate request.

Deputy Administrator: Berri Leslie graduated from the University of Oregon with a major in political science and later earned a masters degree in public administration from Portland State University. She has worked in state government since 1997 at the Oregon Legislature, the Oregon Department of Transportation and, since 2002, as a manager at the Oregon Department of Consumer & Business Services. Joining the department as deputy administrator in July 2011, Ms. Leslie participates in all rate review decision processes.

Operations Manager: Gayle Woods has more than 35 years of insurance experience. Prior to joining the department in 1995, Ms. Woods served as assistant vice president of administration for Pacific Northwest Life Insurance Company; her primary focus was on life and health insurance. Ms. Woods has been serving as the

¹ The department has hired a second Cycle I actuary in a temporary capacity to lesson immediate workload burdens. Moving forward, we will seek legislative authority for this position under our Cycle II proposal.

² Salary costs are lower than anticipated due to a longer hiring process than originally anticipated.

operations manager for the department since 2008, while previously managing the market conduct, market surveillance, and rates and forms units.

Actuary: David Ball is a member of the American Academy of Actuaries, with more than 30 years of experience as an actuary in both the private and public sectors. Mr. Ball received his bachelor of arts in economics from Princeton University. Prior to joining the department in 2001, Mr. Ball spent 14 years with Financial Data Planning Corporation (FDP), consulting with insurance company clients in the US, Britain and the Netherlands. He also worked with several other insurance carriers throughout the United States before landing with the department. Mr. Ball is the lead actuary on health rates, often presenting to the review committee.

Actuary, Scott Fitzpatrick has been a fellow with the Society of Actuaries since 1998, with a Bachelor of Science degree in physics from the United States Naval Academy. Prior to joining the department in 2001, Mr. Fitzpatrick spent almost 16 years as an actuary with Standard Insurance, in Portland, Oregon. Upon joining the department, Mr. Fitzpatrick worked with other division staff to aggressively address a backlog of health rate filings.

The following four positions have been established with Cycle I funding:

Actuary: Jim Swenson graduated from the University of Michigan with a graduate degree in actuarial science, earning a Fellowship in the Society of Actuaries in 1969. Mr. Swenson is a member of the American Academy of Actuaries, serving on the Board of Directors from 1990-1999 and on the Actuarial Standards Board from 1996-2002. From 1980-1985, he served as the chairman of the Social Insurance Committee. Mr. Swenson served as the Administrator of the Oregon Insurance Division from 1987-1991. Currently, Mr. Swenson conducts a second tier of review for small group and individual filings.

Project Coordinator: D'Anne Gilmore has a Bachelor of Arts degree in psychology and a Masters of Social Work in administration, planning & organization from the University of Washington. Previously, Ms. Gilmore served as the Deputy Oregon Health Plan Administrator and as the acting Administrator. She was the executive director of the Oregon Health Care Purchasers Coalition and founded the Oregon Health Care Quality

Corporation. At the department, Ms. Gilmore writes rate filing decision summaries and monitors grant activities and communications, including writing Oregon's quarterly reports.

Market Analyst: Itayi Chipanera graduated from Idaho State University with a bachelor's degree in economics and holds a masters degree in mathematics from the University of Nevada, Reno. Before joining the department, Mr. Chipanera worked as a finance analyst for the Fireman's Fund Insurance Company. At the department, Mr. Chipanera reviews rate filings to ensure the contents meet required administrative rules and works to validate such information. In addition, Mr. Chipanera completes an analysis of every individual and small group filing, comparing administrative cost increases to the Producer Price Index for Direct Health and Medical Insurance Carriers Industry. Working with department actuaries, Mr. Chipanera also performs retrospective reviews of assumptions made by carriers in their rate filings.

Intake Coordinator: Jennifer Bertels worked for 10 years as an employer control specialist for DCBS's Workers' Compensation Division (WCD). At WCD, Ms. Bertels specialized in data collection and assisted in the editing of various publications. Ms. Bertels reviews rate filings to ensure they include all required documentation and maintains rate filing statistics in Excel formats to help department staff with filing reviews. Ms. Bertels also provides logistical support for SERFF snapshot and reporting issues.

A fourth actuary has recently been hired in a temporary capacity to alleviate immediate workload burdens. The department plans to seek legislative authority for this person under our Cycle II request. Position justifications are included below in Section B.

Actuary: Michael Sink graduated from the University of Missouri – Columbia with a bachelor's degree in mathematics. Mr. Sink is an Associate of the Society of Actuaries and a member of the American Academy of Actuaries. Previously, Mr. Sink worked for Regence BlueCross BlueShield of Oregon working on individual health insurance pricing and spent nine years working for Humana on Medicare pricing. At the department, Mr. Sink acts as a lead actuary helping to alleviate workload burdens stemming from our enhanced process.

From July 1, 2010 – June 30, 2011, the department reviewed 61 rate filings in the portability, individual and small group markets. Of the 61 total filings, 17 were portability filings, 19 were individual filings, and 25 were small group filings. On average, an actuary requires 40 hours of work to review each filing.

Consumer Protections: As authorized by ORS 743.018(3) and OAR 836-053-0471 (See Appendix F), the department posts rate filings for individual, portability, and small employer health benefit plans on its website once they are deemed complete. All information submitted as part of an insurance company's rate request is posted online. Consumers can sign up on the department's website to receive an e-mail when an insurer files a rate request and again when the department makes a decision. Additionally, a dedicated public workstation is available for consumers who wish to visit the department's office to review rate filing information.

Recently, the department used Cycle I grant funding to create a new website www.oregonhealthrates.org, which helps consumers access our posted rate filings through easy to understand questions. Previously, consumers looking for rate review information had to navigate technical drop-down data fields. The new website asks consumers a series of questions, such as "What type of insurance do you want to know about" as a means of easily guiding consumers to the information they desire. While this website is a great improvement from our previous display, we anticipate further improvements with Cycle II funds (see pages 17-18 below).

Once rate filing information is posted on our website, a 30-day public comment period begins and all comments received are posted to the website. Using Cycle I funding, we contracted with the consumer advocacy group OSPIRG to provide comments on select rate filings. OSPIRG works with an advisory board, representing consumers and small businesses, and contracts with an actuary when providing its comments.

Once a rate filing determination is made, the department posts the decision along with a decision summary that describes in plain language the key factors underlying each rate filing action. (See Appendix H). Oregon law does not include a requirement that insurers give notice to a consumer before a rate increase applies. Some insurance contracts include language requiring notice to the consumer and the department has the authority to enforce such contract language.

The department has the authority to convene a public meeting or a public hearing regarding a particular rate filing if warranted. We plan on using this authority as part of our Cycle II enhancements (see page 13 below).

The department's Consumer Advocacy Unit staffs a free hotline to answer consumer questions and take complaints. Over the past two years, this unit received 1,761 phone calls about rate increases. These inquiries typically relate to concerns about the affordability of coverage, particular rate increases, and changes to plan benefits.

Examination and Oversight:

No formal enforcement action has been taken against insurance companies during the past two plan years regarding health insurance rates.

This June, the department held its first public hearing on a rate filing in nearly 20 years. Regence BlueCross BlueShield of Oregon (Regence) requested a 22.1 percent rate increase in the individual market. While public hearings are not typically part of our review process, we felt this particular situation warranted a hearing due to the size of the requested increase and the number of people affected, nearly 40 percent of Oregon's individual market. The hearing was widely publicized through advocacy group e-mails, newspaper, radio, and television news coverage. Approximately 200 people attended, with 400 watching over the Internet.

As we planned this hearing, we did not know what to expect. About 800 Oregonians provided written comments and we received hundreds of phone calls from frustrated consumers. We saw this as an opportunity to educate, thus our hearing began with an explanation of our rate review process and an overview of the department's regulatory authority. Regence was then invited to present their filing, with Administrator Miller asking them specific questions about trend, administrative costs, and their surplus. (See Appendix I).

OSPIRG, who thoroughly reviewed this filing, also provided testimony and a Power-Point presentation. Following these presentations, Administrator Miller invited members of the public to testify.

After a full actuarial review, the department approved a 12.8 percent increase based on our statutory standards. We found that the public hearing process served as a valuable tool to show the public the scrutiny we apply to rate requests and to provide consumers a forum to voice concerns. Receiving valuable feedback, we realized a majority of those attending the hearing were not previously aware of the scrutiny the department provides. Attendees stated appreciation for the opportunity to see Administrator Miller question Regence staff, a practice our actuaries perform on a daily basis. As our transparency efforts evolve, it is clear that consumers

desire more information than what is presented in our publicly posted rate filings. The average consumer might not understand the actuarial questioning, but they seem eager to see that such conversations occur. We hope that our continuing efforts to open up the rate review process give consumers an opportunity to learn more about the drivers of health care costs and participate in the ongoing debate about health care reform. We plan on integrating regular public hearings into our rate review process (See proposed plan on page 13).

b) PROPOSAL TO MEET CYCLE II PROGRAM REQUIREMENTS

Oregon has one of the strongest rate review statutes in the nation and has focused on extensive transparency efforts and making our rate review process understandable to the public. However, there is still work to be done to improve consumer participation within the rate review process and to help Oregonians better understand how the department scrutinizes rates. Increased consumer participation, derived from Cycle I programs, has provided the department valuable feedback that while Oregonians appreciate our current transparency efforts, they are eager to dive deeper into the process, learning more about how we scrutinize rates. In response to this feedback, Oregon's Cycle II grant proposal will prioritize making our process understandable and accessible to consumers, providing a window into our regulatory process to help consumers better understand health insurance rates. The State of Oregon will only use grant funds to enhance the state's existing rate review efforts, and not as a substitute for existing funding for such efforts. Some Cycle II funding will be used to continue Cycle I activities. The department has the capacity to implement the proposed enhancements, as well as manage funds according to our corresponding budget narrative.

Continued Cycle I Efforts to Increase Rate Scrutiny:

Manage Cycle I workload: We propose using the Cycle II grant award to continue funding the four employee positions created under the Cycle I award. These positions include an actuary, a market analyst, project coordinator and an intake coordinator and help ensure the department rigorously reviews each rate filing in a timely manner. (See pages 7-8 for position descriptions).

Solicit consumer input: Using Cycle I funds, the department successfully contracted with the consumer advocacy group, OSPIRG, to provide rate comments on behalf of Oregon consumers. These comments provide additional review of select rate filings and help identify areas within a filing where consumers believe the department should focus its rate scrutiny. While our process still allows for public comments in general, having an outside consumer organization that works with their own actuary and consumer advisory council has provided valuable feedback, often highlighting issues that deserve further scrutiny and providing guidance on what we should emphasize in our rate filing decision summaries. We propose using Cycle II funding to continue supporting a consumer organization to provide comments on behalf of the public, as well as expand the duties of such a group to allow it to participate in public hearings. A competitive request for proposal (RFP) process will be used to contract with a consumer advocacy organization through federal fiscal year 2014.

Implement Cycle I study recommendations: The department is currently using Cycle I grant funds to hire the actuarial and consulting firm, Lewis and Ellis, Inc. to conduct a study and provide recommendations on how the rate review process can be used to reduce health care costs which should help limit premium increases. The department will seek internal process and/or regulatory changes based on the study findings and consultant recommendations. If appropriate, we will develop potential legislative proposals for either the 2012 or 2013 legislative sessions.

Greater department transparency and interaction with the public:

We believe consumers should have access to all rate filing information, as well as access to our methods of rate scrutiny. To meet this goal, the department plans to add two major enhancements to our process with Cycle II grant funding: the integration of public hearings and publishing all correspondence between department actuaries and insurers as part of the rate filing information available on our website.

Public hearings: The department will hold public hearings for individual and small group rate requests. The first portion of these hearings will allow department actuaries and the contracted consumer advocacy organization to ask insurance company actuaries questions and receive clarification about the specific rate

filing. The remaining time will be reserved for public comment, allowing the department to hear the public's views and concerns about the requested rate increase. As with all comments received, the department will consider such comments when evaluating a rate filing. These public hearings will be held during the 30-day public comment period and will be broadcast via live web streaming, to allow access across the state. Hearing schedules will be posted on our website, and videos will be archived for consumers to watch at their convenience. On certain filings that draw greater public attention, we will make accommodations to allow for the most consumer input, such as having the hearing after working hours and in larger cities across the state.

Publish correspondence between the department and insurers: Currently, upon review of each rate filing, department actuaries correspond with insurance company actuaries to further scrutinize the information contained in the filing. These communications, while a public record, are not currently posted with each online filing. Often these communications include clarifying information that helps our actuaries evaluate a filing or contains questions about specific assumptions documented in the rate filing. In an effort to increase department transparency, we will publish all correspondence daily on our rate review website. We hope that by proactively publishing this correspondence, consumers will have a better understanding of a rate filing and can provide more complete comments. Further, this published record will allow the consumer advocacy organization participating in our public hearing process to ask better questions of the insurer, as they will have a more complete picture of the rate filing.

Consumer education and outreach:

New rate review publication: Health insurance rate increases are often a source of anger for consumers. Through various outreach activities we have found that explaining why health insurance rates are so high helps people understand the regulatory process and, in some cases, motivates the consumer to engage in a broader discussion of the entire health care system. The department proposes using Cycle II grant funds to create and publish a new rate review booklet titled the Consumer Guide to Rate Review. This publication will provide plain language explanations of our process and a guide to understanding rate filings. It will also provide general information about the cost drivers of health insurance rates and how consumers can participate in the

rate review process. We hope that by making our complicated regulatory process more understandable for consumers, Oregonians will be more inclined to participate.

Educational outreach: Oregon's rate review process has received unprecedented public interest during the past year. In order to capitalize on this important educational opportunity, the department plans to use Cycle II funds to work with stakeholders and various interest groups to find and create opportunities to explain our rate review process and the cost drivers of health insurance rates to consumers. We plan to attend various outreach events, such as town halls and take part in consumer group webinars, as we work to explain our process to individual consumers and small businesses. At these events, our department will present information through many mediums: a video created with Cycle I grant funds, brochures and fact sheets, slideshow presentations, and question and answer sessions. In addition, the department strives to participate in outreach events throughout the state, and when possible, make such presentations available live via the Internet and archived video.

Resources necessary for an increased workload: The department proposes using grant funding to create four new positions to manage the increased workload involved in making successful Cycle II rate enhancements. In total, Cycle II grant funding will support eight employee positions through federal fiscal year 2014; four positions continued from Cycle I enhancements and the four positions described below.

Enhanced communication - health insurance rate liaison: The department proposes using grant funds to hire a rate liaison to act as a central contact to answer consumer questions about rate filings. The rate liaison will also be charged with explaining our rate review process to consumers and will work with the department's public information officer to maintain rate information on our website. The rate liaison will evaluate public comments received and will assist consumers who do not have access to the Internet in submitting comments on rate filings. Further, this person will make sure that Oregon's rate information properly corresponds with the information provided on the federal web portal.

Enhanced rate scrutiny – actuary: Current Department actuaries are overwhelmed by a workload which requires increased scrutiny within strict regulatory timelines and the recent trend of receiving filings in clusters. In order to maintain rigorous review standards and meet regulatory deadlines, the department proposes using grant funds to hire an additional actuary to help relieve current staff workloads.

Enhanced health reform coordination - health reform/exchange coordinator: Oregon’s Exchange will not be run by the department; however, we will have significant interaction with the Exchange through regulatory and information sharing processes. To support this relationship, we propose using grant funding to hire a health reform/ exchange coordinator, charged with coordinating and sharing health insurance related information requested by the Exchange as they implement health care reform efforts. This position will also be responsible for developing a process for identifying and recommending insurance carriers with a history of excessive and unjustified rate increases who should be excluded from selling within the Exchange.

Efficiency improvements - administrative assistant: To streamline administrative processes within an expanded and more transparent rate review system, the department plans to use Cycle II grant funding to hire an additional administrative assistant to support department staff. The administrative assistant will be charged with daily posting of actuarial correspondence between the department and insurers, scheduling hearings, taking notes at hearings, and generating reports to the federal government.

Software and equipment advances:

Invest in web video delivery technology to include all Oregonians in our process: One of the greatest challenges for the department is reaching out to Oregonians who live outside the major population centers of Portland and Salem. During the Regence public hearing process, we received numerous requests to post the hearing live online, so that those outside of the Portland area could watch. We were able to accommodate this request and received positive feedback for offering this accessible option. As we plan to include regular public hearings in our review process, we know that scheduling will require us to hold these hearings in Salem, during regular business hours. While paid consumer advocates will be able to attend these meetings, most Oregonians impacted by these rate increases will not be able to take time off work and travel to

Salem. To make sure all interested parties have access to our public hearing process, the department proposes to purchase video hardware and software infrastructure to capture, edit and deliver our public hearings as streaming content via the Internet. Using web technology, we believe Oregonians from across the state will have a greater opportunity to participate in our process at a time and location convenient for their own schedule. Watching the actuarial dialogue and public testimony will give consumers a better understanding of our process, as well as allow consumers to better understand a filing and perhaps provide more meaningful public comments.

Comparison tools for the web: The department proposes using grant funds to enhance our rate review website by producing interactive charts which allow consumers to compare information such as administrative costs, medical claims, profits/surplus and complaints. Recent changes to our rate review website have allowed consumers to easily navigate rate filings, which are presented as large PDFs. Through interactive charts, which pull specific information from a rate filing, consumers will be able to compare information from past filings or across companies. We will work with stakeholders to identify areas of interest to focus our interactive features.

Displaying rate information on the web: Oregon will soon finalize administrative rules which require insurers to provide a breakdown of medical claims costs for every filing. This information will be collected in the same format as required by the federal form titled “Consumer Disclosure about Proposed Health Insurance Rate Increase.” However, we will require the data collection for all individual and small group rate filings, not just rate requests above 10 percent. The department proposes using Cycle II funds to work with stakeholders to develop online displays for rate review disclosure forms and achieve understandable website navigation when viewing rate requests online.

General IT enhancements: To achieve our goal of providing an open and accessible rate review process, the department will need to make continued IT enhancements as federal and state reforms develop. We will work throughout Cycle II to automate filing information posted to our website and organize information in a manner that is easy to navigate for consumers.

c) REPORTING TO THE SECRETARY ON RATE INCREASE PATTERNS

The department will comply with the reporting requirements outlined in section 2794 of the Public Health Service Act, providing any individual and small group rate filing data requested by the Secretary of Health and Human Services (HHS). Department employees currently generate periodic publications that summarize and analyze a variety of data pertaining to oversight of the insurance industry. This includes a comprehensive annual report on Oregon's commercial health insurance market that incorporates in-depth interpretive analysis by the department. We have the ability to prepare specific, targeted reports for the Secretary, including aggregated data summarized in statistically meaningful ways, with appropriate analysis and qualifications fully explained.

The department will continue providing quarterly reports to HHS describing our progress in meeting grant objectives. These reports will include a summary of the challenges, responses, and adaptations to changing circumstances during the course of the grant. We will provide detailed analyses of selected issues, such as difficulties and opportunities in the enhanced rate review process and engaging consumers in that process. By tracking changes in our rate filing process and the filings we review, we can continue reporting statistical data to HHS as requested. The department will also provide copies of tools we develop, such as an animated video explaining rate development and informational brochures, which may prove useful to other states.

Our project coordinator is working with department staff to collect and manage information requested by HHS. We use excel spreadsheets to track and monitor many rate review activities, however, we hope to use requested IT funding to automate many of these activities over the course of Cycle II funding.

d) RECOMMENDATIONS TO THE STATE EXCHANGE ON INSURER PARTICIPATION

As previously stated, Oregon's Exchange will be implemented by another state agency, the Oregon Health Authority. The department will continue to work closely with this agency, and the Exchange entity itself, as the Exchange develops. While we do not have specific plans for recommendations to exclude participation in the exchange, we anticipate that our exchange coordinator will work with various stakeholders, including the Oregon Health Authority, the Exchange, consumer advocacy groups, and insurers when providing these recommendations.

This process will be transparent with information regarding these recommendations posted on our website. To make commenting easy for consumers, we will have a mechanism to receive public comments online. As plans develop with our recommendations, we plan on updating our progress in future quarterly reports and with updated work plans for HHS.

e) EVALUATION PLAN

Oregon proposes contracting with an independent, third party evaluator to perform our final grant evaluation and will comply with all federal evaluation requirements. When evaluating this project, department staff will provide statistical data to the evaluator, including information regarding the timeliness of reviews, the number of reviews completed, the number of rate increases approved/disapproved, and the average difference between the requested and approved rate. (For baseline information, see Appendix E). While statistical data will be necessary to evaluate this grant project, we will ask the evaluator to focus on the overall effect of our grant enhancements on Oregon's market and the impact to consumers. We will also ask the evaluator to address the impact of enhancements stemming from our Cycle I study, which provided recommendations on ways to use the rate review process to lower health insurance premiums.

Many of our work-plan goals and milestones include hiring staff and making IT infrastructure and website enhancements. For these goals, we will prioritize hiring new staff and furthering our workload capacity. If the hiring of these staff is stalled for any reason, our deputy administrator will be charged with working with DCBS's employee services division to recruit qualified candidates. We will monitor IT enhancements by having regular meetings with IT staff, setting internal timelines for projected goals. For past projects, we have been successful with breaking down staff responsibilities and having team leaders manage projects. Regular meetings are scheduled to share progress and exchange ideas.

Once Cycle II grant funds have been exhausted, the department will be responsible for all future funding of our rate review process. We believe that by having an independent evaluator of Oregon's rate review grant enhancements, the department will be in a better position to judge the effectiveness of this program as we decide which program enhancements to continue funding beyond federal fiscal year 2014.

Cycle II Grant – Budget Narrative

The Oregon Department of Consumer and Business Services (DCBS), through its Insurance Division (department), must approve/disapprove all rates for individual, small employer and portability health insurance before they can be used in this state. As declared by the Secretary of Health and Human Services (HHS), Oregon has an effective rate review process for the individual and small group markets. This Budget Narrative seeks to justify our proposal for the \$3 million “Baseline” award and the supplemental \$600,000 “performance” funds and \$440,777 “workload” funds, for a combined total award of **\$4,040,777**.

The State of Oregon will only use grant funds to enhance the State’s existing rate review efforts, and not as a substitute for existing funding for such efforts. For the fiscal year ending June 30, 2011, the department spent a total of \$773, 157 on rate review. Of those funds, \$436,262 came from Cycle I funds for rate review enhancements. Included in this Cycle I allocations were salaries and benefits for two full time actuaries³, a project coordinator, a market analyst, and an administrative assistant. In total, \$120,003⁴ was spent on salaries, \$40,503 was spent on other payroll expenses (fringe benefits), \$379 was spent on supplies, \$149,304 on contractual obligations, \$73,940 in other costs, \$21,367 on transparency and efficiency enhancements and \$30,766 on indirect costs.

Part A. Salaries & Wages – Total Budget \$1,507,608

Total: \$ 1,507,608

Rate Review Grant: \$ 1,507,608

Funding other than Rate Review Grant: \$ 0

Sources of other funding: N/A

The following positions will be funded by the Cycle II grant award:

Employee Name	Title	Annual Salary	& of Time Budgeted	# of months budgeted	Total salary requested
D’Anne Gilmore	Project Coordinator	51,432	100%	36	154,296
The project Coordinator writes rate filing decision summaries, monitors grant communications, including writing Oregon’s quarterly reports.					
Itayi Chipanera	Market Analyst	44,724	100%	36	162,684*
The Market Analyst reviews rate filings to ensure the contents meet required administrative rules and works to validate information. The Market Analyst completes an analysis of every individual and small group filing, comparing administrative cost increases to the Producer Price Index (PPI). Working with department actuaries, the Market Analyst also performs retrospective reviews of assumptions made by carriers in their rate filings. *Employee was hired as an underfill until professional designation completed. Upon completion (12/31/12), employee will receive a 20% increase and be on a new pay scale.					

³ The department has hired a second Cycle I actuary in a temporary capacity to lesson immediate workload burdens. Moving forward, we will seek legislative authority for this position under our cycle II proposal.

⁴ Due to late hiring, Cycle I salary expenditures were lower than anticipated.

Jennifer Bertels	Intake Coordinator	40,596	100%	36	121,788
The Intake Coordinator reviews rate filings ensuring they include all required documentation and maintains rate filing statistics in Excel format to help department staff with filing reviews. The Intake Coordinator also provides logistical support for SERFF snapshot and reporting issues.					
Jim Swenson	Health Actuary	109,116	100%	36	327,348
The Health Actuary conducts a second tier of review for small group and individual filings. This second-tier review focuses on the range of impact of the rate filing on the entire block of business. This helps the department fully understand how the rate filing will affect various categories of policyholders (not just average policyholders).					
Michael Sink	Health Actuary	109,116	100%	36	327,348
The Health Actuary will conduct reviews for small group and individual filings, working to fully scrutinize filings while alleviating department workload burdens. Mr. Sink has been hired in a temporary capacity to lessen immediate workload burdens. Moving forward, we will seek legislative authority for this position under our cycle II proposal.					
Unknown	Health Rate Liaison	46,836	100%	36	140,508
The Health Rate Liaison will serve as a central contact to answer consumer questions about rate filings. The rate liaison will be charged with explaining our rate review process to consumers and will work with the department's public information officer to maintain rate information on our website. The rate liaison will evaluate public comments received and will assist consumers who do not have access to the internet in submitting comments on rate filings. Further, they will be responsible for making sure Oregon's rate information properly corresponds with the information provided on the federal web portal.					
Unknown	Administrative Specialist 2	32,340	100%	36	97,020
The Administrative Specialist will support department staff by scheduling hearings, taking notes at hearings, and generating reports to the federal government.					
Unknown	Health Reform/ Exchange Coordinator	58,872	100%	36	176,616
The Health Exchange Coordinator will be charged with coordinating and sharing health insurance related information requested by the Exchange as they implement health care reform efforts. This position will also be responsible for developing a process for identifying and recommending insurance carriers with a history of excessive and unjustified rate increases who should be excluded from selling within the Exchange.					

Part B. Fringe Benefits – Total Budget \$780,638

Total: \$ __780,638__

Rate Review Grant: \$ __780,638__

Funding other than Rate Review Grant: \$ __0__

Sources of Funding: N/A

Fringe benefit factors (these amounts are charged per employee on a monthly basis):

Employee Relations Board - \$1.70 per employee
Public Employees Retirement System – 14.41% per employee
Social Security – 7.65% per employee
Workers Compensation - \$2.44 per employee
Flex Benefits - \$1,254.00 per employee
Public Employees Retirement System Obligation Bond – 5.62% per employee
Mass Transit – 0.60% per employee

Part C. Consultive Cost – Total Budget \$85,000

Oregon proposes to contract with an independent, third party evaluator to perform our final grant evaluation and will comply with all federal evaluation requirements.

When evaluating this project, department staff will provide statistical data to the evaluator, including information regarding the timeliness of reviews, the number of reviews completed, the number of rate increases approved/disapproved, and the average difference between the requested and approved rate. While statistical data will be necessary to evaluate this grant project, we will ask the evaluator to focus their scrutiny on the overall effect of our grant enhancements on Oregon’s market and the impact to consumers. We will also ask the evaluator to address the impact of enhancements stemming from our Cycle I study which provided recommendations on ways to use the rate review process to lower health insurance premiums.

At this time, we do not know who we will use as the grant evaluator. When selecting a grant evaluator, the department will use a competitive Request for Proposal (RFP) process. We plan for an estimated cost of \$75,000 to contract with an evaluator. Per Attachment D instructions, we will submit all consultant information at a later date as a revision to the budget.

As noted in the detail below about equipment, Oregon also anticipates hiring a consultant to prepare specifications, procurement, vendor coordination, installation technical assistance, basic instruction and training for all web and video delivery of public access to rate filings and hearings. Preliminary research on possible consultants has led us to believe we can establish an inter-agency agreement with Oregon State University to offer the department cost effective consulting services on this project.

We estimate that we will need approximately 200 hours of consultant work at a cost of \$54/hour for an estimated total cost of \$10,000. Per Attachment D instructions, we will submit this information at a later date as a revision to the budget.

Part D. Equipment – Total Cost \$209,748

Prioritizing an accessible rate review process, we believe consumers should have access to all rate filing information, as well as access to our methods of rate scrutiny. Because Oregon is a geographically large state, many consumers interact with the department via the internet, however our current technology limits the access we provide Oregonians. To achieve a fully transparent program, we will need to purchase the following equipment and services to best serve Oregonians:

Invest in web video delivery technology: The department proposes purchasing video hardware and software infrastructure to capture, edit and deliver our public hearings as streaming content via the internet. Using this technology, we believe Oregonians from across the state will have a greater opportunity to participate in our process at a time and location convenient for their schedule. Watching the actuarial dialogue and public testimony will give consumers a better understanding of our process, as well as allow consumers to better

understand a filing and perhaps provide more meaningful public comment. To deliver this access, the department will need the following equipment:

- **Permanently installed audio and video infrastructure**, digital recorder, encoder to convert to FLASH, switching control panel/mixer for cameras/microphones, integrated in-room display, other switches and cables, etc. - \$83,063 installed and configured.
- **Portable Streaming Station** – for use in rooms with proper internet connectivity. Compact enough to roll-in and set-up in short time. Portable recorder, AV mixer, encoder, microphones, input switch box - \$36,000 installed and configured.
- **Editing Capacity** – Apple iMac high-end PC with “Final Cut” editing software, which would allow for post-filming editing, integrating with other content, removing dead time, fade-ins and outs, etc. Would also provide for format conversions, burning to CDs or DVDs for distribution of hi-def output - \$5,748
- **Training** – internal staff training costs in the operation of the service - \$2,000
- **Operational Costs** – IT staff cost to deliver, set-up, monitor and operate system during live events and edit recordings is included under Part 1, direct costs.

Comparison tools for the web: The department proposes using grant funds to enhance our rate review website by producing interactive charts which allow consumers to compare information such as administrative costs, medical claims, profits/surplus and complaints. Recent changes to our rate review website have allowed consumers to easily navigate rate filings, which are presented as large PDFs. Through interactive charts, which pull specific information from a rate filing, consumers will be able to compare information from past filings or across companies. We will work with stakeholders to identify areas of interest to focus our interactive features.

We estimate that capturing and presenting this additional data could require up to 800 hours (appr. **\$56,000**) of IT project staff time.

Displaying rate information on the web: Oregon is in the process of finalizing administrative rules which require insurers to provide a breakdown of medical claim costs for every filing. This information will be collected in the same format as required by the federal form titled “Consumer Disclosure about Proposed Health Insurance Rate Increase,” however we will require the data collection for all individual and small group rate filings, not just rate requests 10% and greater. The department proposes using Cycle II funds to work with stakeholders to develop online displays for rate review disclosure forms and achieve understandable website navigation when viewing rate requests online.

We estimate that this additional staff time would require up to 500 hours of additional work at a cost of **\$35,000**.

Total : \$209,748

Rate Review Grant: \$209,748

Funding Other than Rate Review Grant N/A

Part E. Supplies – Total Budget \$58,184

Total: \$58,184

Rate Review Grant: \$58,184

Funding other than Rate Review Grant: \$ N/A

- General office supplies (pens, pencils, paper, etc)
(36 months x \$200/year) = \$ x 8 employees = \$4,800
- Telecommunications (36 months x \$691/year x 8 employees) = \$16,584
- Data Processing (36 months x \$200/year x 8 employees) = \$4,800
- Expendable Property (\$2,000 per employee) = \$16,000
- IT Expendable Property (\$2,000 per employee) = \$16,000

Part F: In/Out State Travel – Total Budget \$31,139

The travel listed below reflects in-state travel to public events across the state for the division administrator and the rate liaison. The division expects to attend an average of 8 town halls and education forums each year and the estimated 24 trips represents 8 trips annually for three years.

Total: \$ 31,139

Rate Review Grant: \$ 31,139

Other sources of funding: N/A

In-State Travel:

24 trips x 2 people x 250 miles r/t x .51/mile = \$6,120

2 days per diem x \$66/day x 2 people x 24 trips = \$6,336

1 night lodging x \$113+11.5% tax/night x 2 people x 24 trips = \$6,048

Total In-State Travel = \$18,504

The out-of-state travel reflects travel to required trainings for our actuaries who travel on average twice each year.

Out-of-state-Travel:

6 trips x 2 people x \$500 r/t airfare = \$6,000

4 days per diem x 2 people x \$66/day x 6 trips = \$3,168

3 days lodging x 2 people x \$113+11.5% tax/day x 6 trips = \$2,267

Ground Transportation 6 trips x 2 people x \$100/trip = \$1,200

Total out-of-state cost = \$12,635

Part G. Other Costs – Total Budget \$40,191

Printing Costs – Consumer Guide to Rate Review: The division plans to print 5,000 copies (in English and Spanish) annually of this publication for a three year cost of **\$10,761**.

The division plans to attend five consumer events to spread the word about rate review access, the entry fees for these events is approximately \$1,000 per event for a total three year cost of **\$15,000**.

The division would also like to purchase “giveaways” to advertise this rate review program at these consumer events. The cost of these “giveaways” for a three year period are:

Notepads - \$164.00 for 1,000 = ***\$492.00 for 3,000***
Letter openers - \$1,310 for 2,500 = ***\$3,930***
Magnets - \$5,000 for 5,000 = ***\$5,000***
Pens - \$2,500 for 5,000 = ***\$2,500***

Part H. Contractual Costs - \$900,000

We propose using Cycle II funding to continue supporting a consumer organization to provide comments on behalf of the public, as well as expand the duties of such a group to allow them to participate in public hearings. A competitive RFP process will be used to contract with a consumer advocacy organization through federal fiscal year 2014. Accountability will be accomplished through the use of a contract with very specific deliverables tied to funding. The department will work with the Oregon Department of Justice and the Department of Administrative Services to approve a scope of work, deliverables, and a final contract. The RFP is for \$300,000 per year for a total contract award of ***\$900,000***.⁵

Part I. Direct Costs – Total Direct Costs \$155,462

The department’s proposed enhancements require a significant amount of IT development and services. We propose using direct costs to address the audio/visual service needs and the application development requirements of the grant. These funds, utilized through an IT charge-back system, would cover the necessary cost to carryout our grant goals. As our IT department performs various tasks, they will charge-back to the department the costs associated with these services, which may be performed by a number of IT staff with various degrees of IT expertise. The cumulative charge-back to the grant would reflect the total hourly capacity of the single funded part time employee—total position costs \$155,462.

Staff Costs associated with delivering the “equipment” category would include service delivery for scheduling, set-up, monitoring and console operation during live events, assistance with post-capture editing and clean-up. While a single person/partial full time employee would be sufficient for the overall demand, it would be necessary to train a back-up in fundamentals, to manage the service during absences of the primary person. It may also be necessary to cover multiple concurrent sessions.

Part J. - Indirect Costs--\$264,744

The department uses an internal shared services cost allocation plan to allocate indirect costs for all grants. The total costs allocated to grants are limited to the amounts allowed under a federally approved cost allocation plan. These costs are for contractual services, legal fees, budget management services, grant management services, employment related services and financial services. We estimate the total three year indirect cost to be ***\$264,744***. This number is based on HIPR Cycle 1 indirect costs through June 2011 with the addition of four additional positions as proposed in this grant.

⁵ During Cycle I, the department spent \$100,000 to contract with a consumer advocacy group. Through a competitive process we contracted with OSPIRG, who has informed us that in addition to our funds, they have spent at least \$75,000 of their own dollars to hire an actuary. As we expand a consumer organizations role in the comment and public hearing processes, we anticipate a group will need \$300,000 of funds each year.