

*State of Idaho*  
**DEPARTMENT OF INSURANCE**

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**BULLETIN NO. 11-07**

**DATE:** September 2, 2011  
**TO:** Disability/Health Insurance Carriers  
**FROM:** William W. Deal, Director  
**SUBJECT:** Submission and Rate Review Requirements for Individual and Small Employer Health Benefit Plans - Effective Rate Review Commencing September 1, 2011

Background and Introduction

The Idaho Department of Insurance (Department), having first secured a waiver from Governor Otter, has established a premium reporting and review process pursuant to Section 2794 of the Public Health Service Act, added by Section 1003 of the federal Patient Protection and Affordable Care Act (PPACA), Pub. L. 111-148, which process supplements Idaho's existing rate review process, pursuant to Idaho Code title 41, chapters 47 and 52. The purpose of this bulletin is to provide health insurers with information required to meet these requirements by clarifying rate filing procedures. This bulletin outlines the data elements and required documentation for each submission of new rate filings, rate revisions or justifications of an existing rate, commencing September 1, 2011.

The Department previously issued filing requirements within System for Electronic Rate and Form Filing (SERFF) that provided specific guidance on the required submission of the actuarial memorandum, rate manual and any review standards for new and renewal health rates based on rating guidelines and restrictions within Idaho Code, Chapter 47 (as it pertains to the Small Employer Health Insurance Availability Act) and Chapter 52, (as it pertains to the Individual Health Insurance Availability Act), along with supporting Idaho rules. The revised rate review process intended to meet the requirements of an effective rate review premium reporting and review process under PPACA does not replace any existing requirements for the submission of materials through SERFF. Rather, it adds to the reporting and review process by including certain requirements from PPACA and related regulations. Idaho's effective rate review process improves transparency for consumers and permits applicable public comments based on a new Department website intended to provide public access to rate increase information.

On or around July 1, 2011, the Center for Consumer Information and Insurance Oversight (CCIIO) within the Centers for Medicare and Medicaid Services (CMS) office of the

Department of Health and Human Services (HHS) notified the Department that CCIIO had determined, after reviewing Idaho's laws, including the Idaho Insurance Code, rules, executive orders, bulletins and other information supplied by the Department, that Idaho did not meet the criteria for an Effective Rate Review Program pursuant to PPACA and the regulations promulgated thereunder.

The Department staff and CCIIO engaged in communication in order to identify the specific issues that resulted in the determination that Idaho did not satisfy the criteria to review Idaho Individual and Small Employer Rates. Department staff was advised by CCIIO that, in order to have an effective rate review controlled by Idaho instead of the federal government, the Department must address and meet the following criteria required by federal regulation 45 CFR Part 154:

1. Section 154.301(b): A state with an Effective Rate Review Program must provide access from its website to Parts I and II of the Preliminary Justifications of the proposed rate increases that it reviews. A state may satisfy this requirement by posting on its website Parts I and II of the Preliminary Justification, or by linking to the CMS website.
2. Section 154.210(b)(2): The state with an Effective Rate Review Program must provide CMS, on a form and in a manner prescribed by the Secretary, its final determination of whether a rate increase is unreasonable, which filing must include a brief explanation of how its analysis of the relevant factors set forth in Section 154.301(a)(3) caused it to arrive at that determination, within five business days following the state's final determination. CMS will provide a web-based system to collect this information.

The Department received a waiver dated August 11, 2011 from Governor Otter pursuant to Executive Order No. 2011-03 to allow it to proceed with the necessary actions to secure an Idaho operated Effective Rate Review program. On August 24, 2011, CCIIO approved the Department's request to operate the Effective Rate Review Program.

#### New Rate Review Process

Health insurers shall continue to submit rate filings with the Department prior to implementation of rates. Such filings shall be submitted using SERFF and, commencing September 1, 2011, and thereafter, shall include Parts I and II of the Preliminary Justification under 45 CFR § 154.215 if the health insurer is seeking to implement a rate increase that meets or exceeds the threshold described in 45 CFR § 154.200, currently 10%.

Health insurers are hereby notified that they are required to submit such rate filings to the Department and to HHS prior to implementation of rates. The health carrier must submit a "Preliminary Justification," Parts I and II, on a form and in the manner prescribed by the HHS. The filings shall include the data elements, which include those set forth in 45

CFR § 154.301(a)(4)), and the actuarial memorandum in the form attached to this bulletin.

Four forms accompany this bulletin that must be followed and/or completed and submitted to the Department through SERFF by all health insurers. They are: (1) the Required Content of Actuarial Memorandum Accompanying Rate Filings; (2.a) the Required Content of Rate Manual for Individual Health Benefit Plans; (2.b) the Required Content of Rate Manual for Small Employer Health Benefit Plans; and (3) the Idaho Carrier Acknowledgement & Consent to Publishing of Rate Information & Determination (provided that this Acknowledgment and Consent need only be submitted by health insurers that must also submit Parts I and II of the Preliminary Justification under 45 CFR § 154.215). Instructions for submitting filings are included in SERFF and will be included on the Department's website at this link: [www.doi.idaho.gov](http://www.doi.idaho.gov). HHS will also be providing health carriers with training in regard to required forms and access to the Health Insurance Oversight System prior to the start date of the Rate Review program.

As part of Idaho's Effective Rate Review process, the Department will review Parts I and II of the Preliminary Justification information, which information will also be available to the public for review. Once the Department's review is complete and determination as to the reasonableness of the new rate has been made, the Department shall, within five (5) business days thereafter, share its determination with HHS and the public.

Any questions concerning these new rate filing procedures should be directed to Donna Daniel at [donna.daniel@doi.idaho.gov](mailto:donna.daniel@doi.idaho.gov).

**State of Idaho – Individual Health Insurance Availability Act  
Required Content of Rate Manual for Individual Health Benefit Plans**

All new rate filings and rate revision filings must include a copy of the rate manual developed pursuant to Subsection 036.01 of IDAPA 18.01.72. The rate manual must:

- Specify the rating period for which the rate manual applies.
- Specify all case characteristics used in establishing premium rates and the corresponding rate factor tables applicable for each case characteristic. Allowed case characteristics are age, individual tobacco use, geography and gender, as specified in Section 41-5206(1)(f), Idaho Code.
- Specify all risk characteristics considered and the criteria and factors applied in determining risk loads used to reflect the risk characteristics of individuals, subject to the provisions of Section 41-5206, Idaho Code. Risk characteristics may include health status, claims experience, duration of coverage, family composition or any similar characteristic related to the health status or claims experience of an individual.
- Show the complete formula used to develop premium rates in a two (2) step process (see Subsection 036.10 of IDAPA 18.01.72):
  - Step 1: Show formula development of the base premium rate with regard to all case characteristics and without regard to any risk characteristics.
  - Step 2: Show the risk load adjustment of the Step 1 result to reflect the risk characteristics of the individual.
- Show illustrative examples of individual rates calculated using the two-step process.
- Describe the method of allocating administrative expenses to the health benefit plans for which the manual was developed.
- List all changes to the rate manual from the previous rating period. Specify which of the changes, if any, meet the criteria for a change in rating method (see Subsection 036.04 of IDAPA 18.01.72) and must be filed and approved before use as required under Subsection 036.02 of IDAPA 18.01.72. For any such changes, provide the information required for review of modification of rating method as specified under Subsection 036.03 of IDAPA 18.01.72.

As a requirement for Idaho to be an Effective Rate State, the following information must be included in all rate manuals:

- Medical trend changes by major service categories;
- Utilization changes by major service categories;
- Cost-sharing changes by major service categories;
- Benefit changes;
- Changes in enrollee risk profile;
- Impact of any overestimate or underestimate of medical trend for prior year periods related to the rate increase;
- Reserve needs;
- Administrative costs related to programs that improve health care quality;
- Changes in other administrative costs;
- Medical loss ratio;

- Issuer's risk-based capital status relative to national standards.

Reminders:

- In SERFF, there is a required consent form that must be attached to all rate filings for health benefit plans.
- One rate manual for all individual business subject to the Individual Health Insurance Availability Act.
- Must file for prior approval before using any case characteristic other than age, individual tobacco use, geography and gender. Such a filing must meet the requirements for adjustment of rating method under Subsection 036.02 of IDAPA 18.01.72.
- Base premium rate differentials for health benefit plans must be based solely on reasonable and objective differences in the design of benefits and not based in any way on the actual or expected health status or claims experience of an individual or group of individuals that choose or are expected to choose a particular health benefit plan.

**State of Idaho – Small Employer Health Insurance Availability Act  
Required Content of Rate Manual for Small Employer Health Benefit Plans**

All new rate filings and rate revision filings must include a copy of the rate manual developed pursuant to Subsection 036.01 of IDAPA 18.01.69. The rate manual must:

- Classes of business: Include supporting documentation for established classes of business as specified under Subsection 021.01 of IDAPA 18.01.69. A separate rate manual must be developed for each class of business.
- Specify the rating period for which the rate manual applies.
- Specify all case characteristics used in establishing premium rates and the corresponding rate factor tables applicable for each case characteristic. Allowed case characteristics are age, individual tobacco use, geography and gender, as specified in Section 41-4706(1)(h), Idaho Code.
- Specify all risk characteristics considered and the criteria and factors applied in determining risk loads used to reflect the risk characteristics of a small employer group or any member of a small employer group, subject to the provisions of Section 41-4706, Idaho Code. Risk characteristics may include health status, claims experience, duration of coverage, family composition, group size, industry, or any similar characteristic related to the health status or claims experience.
- Show the complete formula used to develop premium rates in a two (2) step process (see Subsection 036.09 of IDAPA 18.01.69):
  - Step 1: Show formula development of the base premium rate with regard to all case characteristics and without regard to any risk characteristics.
  - Step 2: Show the risk load adjustment of the Step 1 result to reflect the risk characteristics of the group.
- Show illustrative examples of small employer rates calculated using the two-step process.
- Describe the method of allocating administrative expenses to the health benefit plans in the class of business for which the manual was developed.
- List all changes to the rate manual from the previous rating period. Specify which of the changes, if any, meet the criteria for a change in rating method under Subsection 036.04 of IDAPA 18.01.69 and must be filed and approved as required under Subsection 036.02 of IDAPA 18.01.69. For any such changes, provide the information required for review of modification of rating method as specified under Subsection 036.03 of IDAPA 18.01.69.

As a requirement for Idaho to be an Effective Rate State, the following information must be included in all rate manuals:

- Medical trend changes by major service categories;
- Utilization changes by major service categories;
- Cost-sharing changes by major service categories;
- Benefit changes;
- Changes in enrollee risk profile;
- Impact of any overestimate or underestimate of medical trend for prior year periods related to the rate increase;
- Reserve needs;

- Administrative costs related to programs that improve health care quality;
- Changes in other administrative costs;
- Medical loss ratio;
- Issuer's risk-based capital status relative to national standards.

Reminders:

- In SERFF, there is a required consent form that must be attached to all rate filings for health benefit plans.
- A separate rate manual must be developed for each established class of business subject to the Small Employer Health Insurance Availability Act.
- Must file for prior approval before using any case characteristic other than age, individual tobacco use, geography, and gender. Such a filing must meet the requirements for adjustment of rating method under Subsection 036.02 of IDAPA 18.01.69.
- Base premium rate differentials for health benefit plans must be based solely on reasonable and objective differences in the design of benefits and not based in any way on the actual or expected health status or claims experience of the small employers groups that choose or are expected to choose a particular health benefit plan.

## State of Idaho – Required Content of ACTUARIAL MEMORANDUM Accompanying Rate Filings

*Applicable for New Rate and Rate Revision Filings Subject to:*

- Small Employer Health Insurance Availability Act
- Individual Health Insurance Availability Act

ACTUARIAL MEMORANDUM required content:

- Scope and Purpose
- Applicability
- Reason for Rate Revision, Including Explanation of Significant Factors Causing Rate Revision
- Benefit Description
- Renewability Clause
- Morbidity Basis
- Mortality Basis
- Persistency
- Expenses, Including Breakdown of Components
- Marketing Method
- Underwriting
- Premium Classes
- Issue Age Range
- Area Factors
- Average Annual Premium (Nationwide and Idaho)
- Premium Modalization Rules
- Claim Liability and Reserves
- Active Life Reserves
- Cost and Utilization Trend Assumptions by Major Service Categories
- Credibility
- Minimum Loss Ratio
- Anticipated Loss Ratio
- Distribution of Business
- Contingency and Risk Margins
- Experience – Past and Future (Nationwide and Idaho)
- Lifetime Loss Ratio
- Experience-Based Determination of Needed Rate Revision, Including Details of Projection Assumptions and Explanations of Any Experience Adjustments
- Impact of Rate Revision (Average and Range)
- History of Rate Adjustments
- Number of Policyholders (Nationwide and Idaho)
- Effective Date of Rate Revision
- Company Financial Position (Company Surplus and Risk-Based Capital)
- Actuarial Certification

Include all points; if a point does not apply to a particular rate filing, indicate “N/A” (not applicable) and explain why it does not apply.

Revised 08/30/2011

## Idaho - Carrier Acknowledgement & Consent to Publishing of Rate Information & Determination

Please print or type Carrier's full legal name and address:

<b>Carrier</b>	
<b>Address</b>	
<b>Signature</b>	
<b>Name</b>	
<b>Title</b>	
<b>Consent Date</b>	

Idaho Code §§ 41-5206(4)(c) and 41-4706(5)(c) expressly prohibit the Director of the Idaho Department of Insurance (Director) from disclosing Individual and Small Group premium rate information (Information) submitted by each carrier for review by the Idaho Department of Insurance (Department), unless the carrier agrees or a court orders. The Idaho Code considers this Information Proprietary and Trade Secrets. Rate filing information submitted pursuant to the above sections may also be exempt from public disclosure under Idaho Code §§ 9-340D(1) (trade secret information) and 9-340C(5) (examination, operating, or condition reports and all documents related thereto). This Information does not include otherwise published information, such as carrier name, telephone number, and address; such information is not subject to the Idaho Code restrictions.

The Patient Protection and Affordable Care Act (PPACA) and its rate review implementing regulations (PPACA Rate Review Regulations) expressly provide at 45 CFR 154.301(b) that any state with an effective rate review program must provide, for public comment, access on its website to the information in Parts I and II of the Preliminary Justification that a carrier must submit to the federal Centers for Medicare and Medicaid Services (CMS) in connection with a proposed rate increase subject to the PPACA Rate Review Regulations. Because the state of Idaho desires to provide an effective rate review program for carriers licensed in this state, the Department is requesting consent to publish and provide for public comment access on its website to the information required in Parts I and II of a Preliminary Justification for a proposed rate increase specified in the PPACA Rate Review Regulations at 45 CFR 154.215. Alternatively, the Department will link to the Parts I and II information from a CMS website and provide the public with an opportunity to comment. Following its review, the Department will share its determination and brief analysis with CMS, which information will also be available to the public.

By signing, and submitting via SERFF, this consent, the above company grants the Department permission to, and acknowledges that the Department will, publish and provide website access to the information required in Parts I and II of a Preliminary Justification (either by linking to the information on a CMS website or by making information filed with the Department publicly available) for a proposed rate increase as specified in 45 CFR 154.215 in order to receive public comment on a proposed rate increase. Additionally, the above named company acknowledges that the Department will, and grants its consent for the Department to provide its determination of whether a rate increase is unreasonable and a brief explanation of its analysis to CMS and the public. This consent does not change or alter Idaho law related to the director's authority to review rate filings in accordance with Idaho Code Sections 41-2136, 41-3420, and 41-3915.