

Fiscal Estimate Narratives

OCI 1/19/2016

LRB Number	15-2629/1	Introduction Number	SB-277	Estimate Type	Original
Description Rate regulation for health insurance					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, insurers must file with the Office of the Commissioner of Insurance (OCI) premium rates, and changes to premium rates, for individual and small group health insurance within 30 days after the rates or rate changes become effective. Current law prohibits premium rates from being excessive, inadequate, or unfairly discriminatory and provides guidelines for determining whether rates comply with those standards. The commissioner may order that a rate be discontinued for any policy issued or renewed after a date specified in the order if, after a hearing, the commissioner determines that the rate does not comply with those standards.

This bill would make the following changes to existing law:

- (1) Rate collection authority would be expanded to include all rate changes filed in the individual, small group, and large group comprehensive health insurance markets;
- (2) Rate review authority would be expanded to require approval of rates by the commissioner. Rate changes of less than 10% are deemed approved after 30 days, equating to a review period of 30 days for these rate filings;
- (3) Public hearings would be required for all rate filings with increases of 10% or greater; and
- (4) All rate changes must be posted on OCI's Web site in a consumer-friendly manner. Approved rate changes above 10% must also be posted on OCI's Web site with the negotiated provider rates.

OCI notes that these proposed processes will not necessarily lead to lower rates for consumers. Under the Affordable Care Act as currently in effect, insurers must spend 80 or 85 cents (depending on the type of policy) of every premium dollar collected on healthcare or refund the excess to consumers. Therefore, existing law already provides a check on any incentive to charge excessive rates.

Because this bill would significantly expand both OCI's rate approval authority and the rate approval process, OCI estimates that the bill would require significant enhancements to existing rate review staff and contractual resources. These enhancements would include:

- (1) Two full-time equivalents (FTEs) for Systems Analysts/Developers and one FTE for a Database Administrator. These positions would be required to enhance OCI's Market Analysis System (MAS) to accept new large group filings, to enhance OCI's Health Insurer Web Application (HIWA) to expand Health Insurer Market Survey (HIMS) data collection, and to enhance HIWA to automate collection of new data elements required for large group filings. The database administrator also would be required to create new data sources in Tableau for reporting on large group data elements collected in filings;
- (2) Three FTEs for Insurance Examiners. Two of these positions would be required to review and close all large group filings with less than 10% proposed rate increases within 30 days. There are approximately 100 such filings per year, distributed throughout the year. The third position would be required to assist the existing two insurance examiners in reviewing and closing all individual and small group filings with less than 10% proposed rate increases within 30 days. There are approximately 60 such filings per year, all submitted at the same time, and approximately 10 such filings per year submitted at intervals;
- (3) One FTE for an Insurance Examiner – Advanced. This position would be required to give expert testimony at the public hearings on proposed rate increases of 10% or more and to make recommendations on rate review policy related to provider network contracts;
- (4) One FTE for an Operations Program Associate. This position would be required to assist all insurance examiners in preparing rate filing materials for hearings and to provide other administrative support to the rate review team as needed, including coordination of posting rate filings; and

(5) One FTE for an Administrative Law Judge. This position would be required to preside over public hearings on proposed rate increases at or above 10%.

As shown on the attached worksheet, OCI estimates that these nine (9) FTEs would cost Wisconsin approximately \$900,000 per year in salary and benefits.

In addition, the budget for OCI's existing actuarial contract would need to be revised to include travel expenses for the out-of-state actuaries' appearances at hearings, as well as additional billable hours. The estimated cost would be \$20,000 annually.

OCI would also need to secure another short-term actuarial contract of approximately \$50,000 in order to develop filing requirements for the large group market. These duties are out of scope for the current actuarial contract.

Therefore, OCI estimates the first-year cost of implementing this bill would be approximately \$970,000.

In arriving at this estimated cost, OCI made the following assumptions:

- (1) Transitional blocks of business under the Affordable Care Act (ACA) will move onto ACA-compliant coverage, and there will no longer be separate rate filings for single risk pool and transitional policies;
- (2) Companies will not choose to propose rate increases of 10% or more to their relatively small blocks of pre-ACA ("grandfathered") business; and
- (3) OCI would choose to hire an additional Insurance Examiner - Advanced with provider network contracting experience to offer testimony at hearings rather than to enter into another ongoing consulting contract.

Long-Range Fiscal Implications

OCI estimates that the \$900,000 in FTEs described above and the \$20,000 in travel expenses will be an annual cost to Wisconsin, which will continue for as long as the proposed law is in effect.

Senate Bill 277 proposes the following changes to the health insurance rate review operations of the Wisconsin Office of the Commissioner of Insurance (OCI):

- (1) Rate collection authority is expanded to include all rate changes filed in the individual, small group, and large group comprehensive health insurance markets. Currently, only individual and small group rates are collected.
- (2) Rate review authority is expanded to require approval of rates by the commissioner. Rate changes of less than 10% are deemed approved after 30 days, equating to a review period of 30 days for these rate filings.
- (3) Hearings are required for all rate filings with increases of 10% or greater.
- (4) All rate changes are required to be posted on OCI's Web site in a consumer-friendly manner. Approved rate changes above 10% must also be posted on OCI's Web site with the negotiated provider rates.

These changes would require the following enhancements to existing rate review staff and/or contractual resources:

FTE	Title	Work Performed	Annual Salary & Benefits
2.0	Systems Analyst/Developer	- Enhance Market Analysis System (MAS) to accept new large group filings - Enhance Health Insurer Web Application (HIWA) to expand Health Insurer Market	\$ 247,716.00
1.0	Database Administrator	- Enhance HIWA to automate collection of new data elements required for large group - Enhance Market Analysis System (MAS) to accept new large group filings - Enhance Health Insurer Web Application (HIWA) to expand Health Insurer Market	\$ 134,932.00
2.0	Insurance Examiner	- Enhance HIWA to automate collection of new data elements required for large group - Create new data sources in Tableau for reporting on large group data elements	\$ 148,744.00
1.0	Insurance Examiner	- Review and close all large group filings <10% within 30 days (approx. 100/year)	\$ 64,498.00
1.0	Insurance Examiner - Advanced	- Assist existing 2.0 Insurance Examiners in reviewing and closing all individual and small - Give expert testimony at hearings on rate increases at or above 10%	\$ 123,743.00
1.0	Operations Program Associate	- Make recommendations on rate review policy related to provider network contracts - Assist all Insurance Examiners in preparing rate filing materials for hearings	\$ 56,289.00
1.0	Administrative Law Judge	- Provide other administrative support to the rate review team, as needed, including - Preside over hearings on rate increases at or above 10%	\$ 122,566.00
Total 9.0			\$ 897,947.00

The budget for OCI's existing actuarial contract would need to be revised to include travel expenses for the out-of-state actuaries' appearances at hearings, as well as additional billable hours. The estimated cost would be \$20,000 annually.

OCI would also need to secure another short-term actuarial contract of approximately \$50,000 in order to develop filing requirements for the large group market. These duties are out of scope for the current actuarial contract.

ASSUMPTIONS:

- (1) Transitional blocks of business will move onto ACA-compliant coverage, and there will no longer be separate rate filings for single risk pool and transitional policies.
- (2) Companies will not choose to propose rate increases of 10% or more to their relatively small blocks of grandfathered business.
- (3) OCI would choose to hire an additional Insurance Examiner - Advanced with provider network contracting experience to offer testimony at hearings rather than to enter into another ongoing consulting contract.