

What is a Premium?

A premium is the specific amount you pay for health insurance. Your actual premium will be higher or lower than the base rate, the starting point to determine your cost of coverage, depending on several factors including your age, where you live, your gender, how long you have had your policy, and your health status.

Your premium also considers expected costs for:

- Claims for medical care (hospitals, doctors, pharmacy, labs, and other patient care)
- Insurer administrative costs (e.g. claims processing, care management programs, staff salaries, marketing costs and taxes)
- Insurer's profits
- Reserves to cover higher than expected claims

Medical Loss Ratio Rebates

The Medical Loss Ratio (MLR) aspect of the new health reform law aims to make your premium more of an effective cost for your health care, and requires that a minimum of 80% (in the individual and small group market) and 85% (in the large group market) of each premium dollar is spent on health care services and health care quality improvement and not on company overhead and administrative costs. Starting in 2012, an insurer not meeting the required MLR percentage must give rebates to people enrolled in the plan or the employer that purchased it. Rebates must be paid by August 1st each year.

More information can be found at <http://cciio.cms.gov/resources/factsheets/mlrfinalrule.html>.

Your Participation in the Rate Review Process is IMPORTANT:

You have the opportunity to comment/provide feedback or ask questions about a health rate filing by emailing the Department of Insurance at DOI.HealthRateReview@illinois.gov. Please include the file number and company name for the filing, and your comments or questions, in the email, or by U.S. mail to:

Illinois Department of Insurance
320 W Washington
Springfield, IL 62767

The Department of Insurance appreciates your interest in providing comments/feedback to assist the Department in its evaluation of health rate filings. Your comments will be considered by department staff as they review filings for compliance with legal requirements and actuarial standards. (Please note that the Department cannot comment on a rate filing while it is under review, but we will respond to questions consistent with our "comment policy").

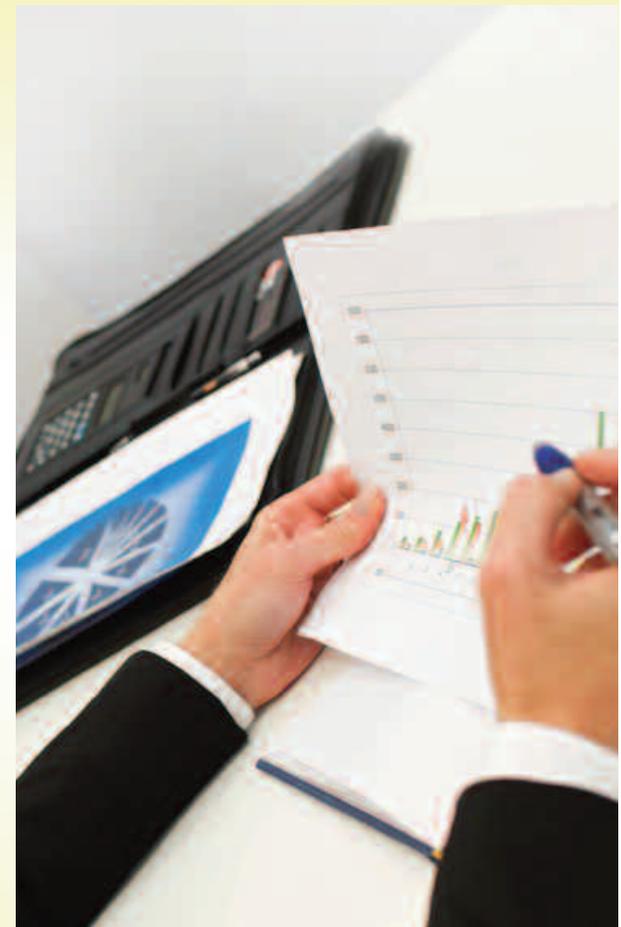
<http://insurance.illinois.gov/hirc/rate-filingsCommentPolicy.asp>

For More Information

Call the Department of Insurance Consumer Services Section at (312) 814-2427 or our Office of Consumer Health Insurance toll free at (877) 527-9431 or visit us on our website at <http://insurance.illinois.gov>.

Note: This information was developed to provide consumers with general information and guidance about insurance coverage and laws. It is not intended to provide a formal, definitive description or interpretation of Department policy. For specific Department policy on any issue, regulated entities (insurance industry) and interested parties should contact the Department.

Printed by the Authority of the State of Illinois
12/12



Understanding Health Insurance Rates

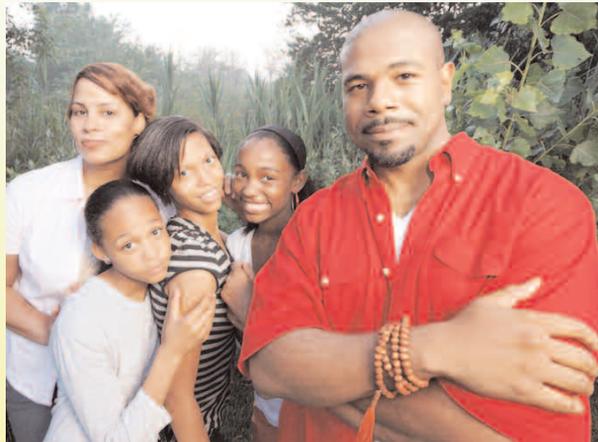


How Rate Review in Illinois Works

- An insurance company selling health insurance in Illinois must submit their request to file any changes in rates for existing products as well as rates for new products to the Illinois Department of Insurance prior to using them.
- The rates are then further reviewed and posted on the Department's website.
- If the proposed rate increase is 10% or more, the Department is required to perform a more in-depth review to determine whether such rates are "reasonable", as defined by the Affordable Care Act (ACA).
- As of September 1, 2011, insurance companies proposing rate increases for individual or small group policies of an average of 10% or more, must complete a "preliminary justification" as part of its rate filing to both the U.S. Department of Health and Human Services (HHS) and to the Department.

- A "preliminary justification" is a standardized form for consumers to see the insurance carrier's reasons for a proposed rate increase. It is posted on <http://companyprofiles.healthcare.gov>.
- When the Department has issued its final determination of reasonableness, summary information on the rate filing is posted to the chart of proposed rate changes on our website at <http://insurance.illinois.gov/hirc/rate-filings.asp>. Note: a rate change that is posted is always an average rate, and your individual premium may be different.
- The Department also provides its determination of reasonableness to the insurance company and to HHS.

Note: The Department does not have the authority to approve or disapprove proposed rate increases. Therefore, it is possible that a rate increase may go into effect even if the Department determines that the rate increase is "unreasonable".



How Does This Affect Me?

As the cost of health care continues to rise, many insurance companies have found it necessary to



raise premium rates. Rates are driven by medical spending, which is growing because of many factors including provider charges, increased use of health care services, new technologies, prescription drugs, an aging population, and unhealthy lifestyles. Rate changes can vary depending on a company's financial situation and whether its existing premiums cover its projected claims and administrative costs.

You and your family are part of a "pool of risks". You pay a share of the pooled costs in exchange for getting the coverage you purchased. This means that your rates may be increased even though you and your covered family members are healthy and have had only minor claims.

This makes an insurance company's accountability and transparency even more critical that you know why your rates are changing.

Through the Rate Review process, the Department is making available to you a way to be better informed about your health rates.