

# A Consumer's Guide To Rate Review In The Individual Market

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## **This Guide Explains How:**

- ◆ **The Illinois Department of Insurance (“The Department”) reviews fully-insured group health insurance rates; and**
- ◆ **You as a consumer can comment and be involved in the rate review process.**

# *Let's Get Started...the basics*

***Before we can discuss the rate review process, it will first be helpful to hit some basics.***

## **What is a Rate?**

A base rate is the starting point for your cost for coverage before an insurance company considers other factors.

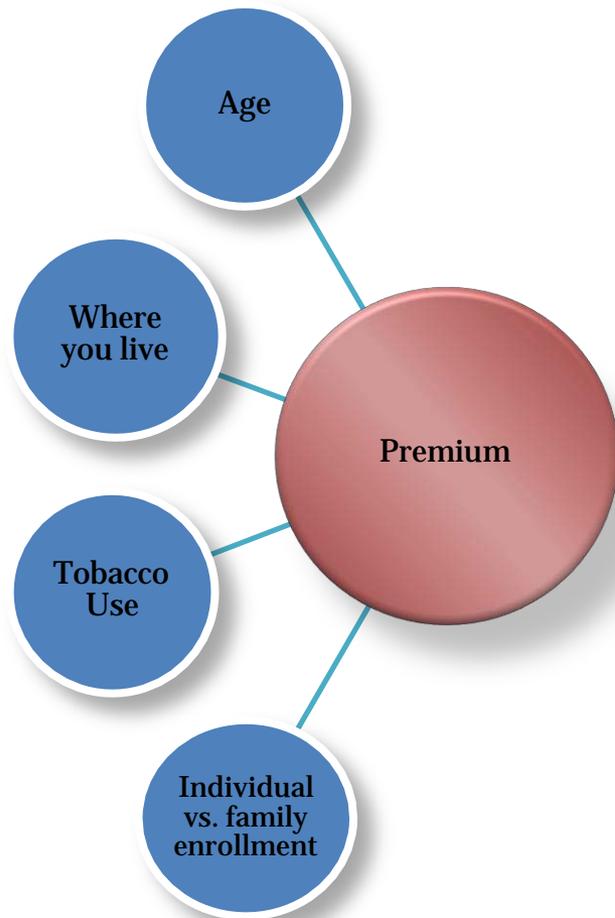
## **What is a Premium?**

A premium is the specific amount you pay for health insurance.

## What Does a Rate Cover?

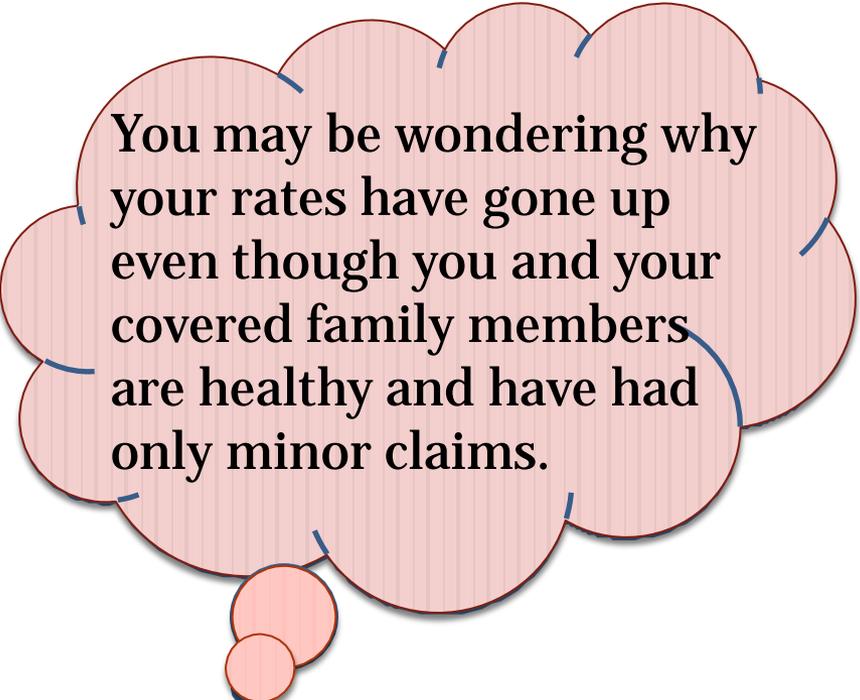
- Claims for medical care (hospitals, doctors, pharmacy, labs, and other patient care)
- Insurer administrative costs (e.g. claims processing, care management programs, staff salaries, marketing costs and taxes)
- Insurer's profits
- Reserves to cover higher than expected claims

## **Your Premium May Be Higher or Lower Than The Base Rate, Because of Your:**



Due to the Affordable Care Act, since January 1, 2014, no-one can be denied coverage based on pre- existing conditions, current health status, and no-one can be charged more based on their gender.

## ***Why Is My Premium Different from Other Individuals Who have The Same Type Of Policy?***



You may be wondering why your rates have gone up even though you and your covered family members are healthy and have had only minor claims.

*...the answer:*

- Once your policy is issued and your premium rate established, you are placed in a pool with other individuals who have the same type of policy.
- Any rate increase is not determined by your individual claims, but by the claims experience of the entire pool.

**Remember:** Since January 1, 2014, all Qualified Health Plans sold in the Individual and Small Group Markets, either on the Marketplace or not, must follow the following rating rules: No-one can be denied coverage based on pre-existing conditions, current health status, and no-one can be charged more based on their gender.

## ***Rate Review in Illinois...nuts & bolts***

**Which Health Insurance Rates Are Subject to Department Review?**

**A company selling health insurance must submit all health rate filings to the Department prior to using them. This includes changes in rates for existing products as well as rates for new products.**

## *Rate Review in Illinois...nuts & bolts*

The following types of plans do not have to file their rates before using them in the State of Illinois:

- Accident insurance and disability income insurance, or any combination of the two
- Liability insurance, including general liability insurance and automobile liability insurance
- A supplement to liability insurance
- Workers' compensation
- Automobile medical payment insurance
- Other similar insurance coverage where benefits for medical care are secondary to other insurance benefits

## ***How Does Rate Review in Illinois Work ... step 1***

**An insurance company must submit their request to file both new and renewal rates to the Illinois Department of Insurance.**

## ***How Does Rate Review in Illinois Work ... step 2***

- Experts within the Department review the filing to ensure that it is complete, accurate and consistent.
- If information is missing or incomplete, the Department requests the missing information from the insurance carrier.
- The rates are then further reviewed and posted on the Department's website.

## ***How Does Rate Review in Illinois Work ... step 3***

If the proposed rate increase is 10% or more, Department is required to perform a more in-depth review to determine whether such rates are “unreasonable”.

Under the federal Affordable Care Act, rate increases which exceed 10% may be deemed unreasonable if the insurer would be spending a low percentage of premium dollars on actual medical care and quality improvements, and if the rate filing relied on data of a questionable nature.

# ***How Does Rate Review in Illinois Work ... step 4***

- Starting September 2011, insurers proposing rate increases for an individual policy of an average of 10% or more must submit a “Rate Justification” as part of its rate filing to the Department and to the U.S. Department of Health and Human Services (HHS).
- A “Rate Justification” is a standardized form for consumers to see the insurance carrier’s reasons for a proposed rate increase. It is posted on <https://ratereview.healthcare.gov/>

# ***How Does Rate Review in Illinois Work ... step 5***

- Where a rate increase is 10% or more, the Department considers many factors, including:
  - Enrollment patterns
  - Medical usage trends
  - Administrative expenses
  - Profits
  - Reserves
  - Benefit changes
  - The company's history of rate changes
  - Medical Loss Ratio\*
  - Consumer comments submitted to the Department
  - Other factors driving the rate increase
  - Recent and projected future costs of medical care and prescription drugs

## ***How Does Rate Review in Illinois Work ... step 5 cont.***

**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”.**

## *Rate Review in Illinois ... Medical Loss Ratio (MLR)*

- MLR refers to the portion of insurance premiums an insurer spends on health care and activities that improve health care quality.
- The Affordable Care Act 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.
- Since 2012, an insurer not meeting the required MLR percentage must give rebates to people enrolled in the plan or the employer that purchased it.

# ***How Does Rate Review in Illinois Work ... step 6***

- The Department provides its final determination on the reasonableness of an increase of 10% or more to the insurance company and to HHS.
- A link is provided on the Department's website to this information on <https://ratereview.healthcare.gov/>

# **How Does Rate Review in Illinois Work ... *step 7***

- When the Department has issued its final determination, summary information on the rate filing is posted to the chart of proposed rate changes on our website at <http://www.insurance.illinois.gov/hiric/rate-filings.asp>.
- Note: a rate change that is posted is always an average rate, and your individual premium may be different.

# ***Rate Review in Illinois Work ... your role***

**Your Participation in the Rate Review Process is  
IMPORTANT:**

The Department accepts questions, concerns and comments related to rate filings.

When submitting your comments, please identify both the company and the policy number. The Department cannot respond to submitted comments but will respond to questions consistent with our Comment Policy.

## ***Federal Grants and Reports...***

- As part of the federal Affordable Care Act (ACA), the federal government has provided grant funds to Illinois and other states to enhance the rate review process and increase consumer education and outreach.
- Grant requests and quarterly reports submitted by the Department to the federal government (HHS) are available on our website:  
<http://insurance.illinois.gov/hiric/premium-rate.asp>

# ADDITIONAL FEEDBACK ON THE RATE REVIEW PROCESS IN ILLINOIS?

The Department of Insurance  
welcomes comments at any time.

Feedback can be sent to

[doi.healthreform@illinois.gov](mailto:doi.healthreform@illinois.gov)

