

**Office of Consumer Information and Insurance Oversight**

**Alabama Department of Insurance  
Second Quarterly Report  
Part I: Narrative Report**

**Submission Date: April 7, 2011**

**State: Alabama**

**Project Title: Grants to States for Health Insurance Premium Review-Cycle 1**

**Project Quarter Reporting Period: Quarter 2 (01/01/2011- 03/31/2011)**

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**Introduction:**

This report will update grant activity subsequent to the first quarter report which was submitted 1/25/2011.

Significant progress had been made in developing draft legislation for submission to our legislative body for rate review approval.

A review of the rate review process as outlined in the Federal Register proposed rule for 45 CFR Part 154, as our current rate review process, is approximately 50% complete.

We have our stakeholder list of 122 interested parties complete (this is a joint list of stakeholders also involved with the Exchange planning).

**Program Implementation Status:**

1. Accomplishments to Date:

- a. Legislation drafting is 95% complete with some final tweaking needed before bill is ready for introduction.
- b. The rate review standardization process is approximately 50% complete.
- c. A second stakeholder meeting was held on January 20, in conjunction with the Exchange planning grant, and had 65 people in attendance.
- d. Examination work on two domestic carriers is 99% complete and is in the report writing stage. Two additional carriers have submitted their data for review while two carriers have been sent a final notice to provide their data to the DOI.

2. Challenges and Responses: Our biggest challenge in developing appropriate legislation has been due to the election year in Alabama. A new Governor, Lieutenant Governor, Secretary of State, and Attorney General were elected in November and all are Republicans. Additionally, there is now a Republican majority in both the Senate and House—the first time since Reconstruction in the 1800s. The DOI must establish new contacts and develop strong ties in order to find sponsors for any proposed legislation. As the DOI has worked to build public awareness, the number of stakeholders involved has been surprisingly larger than expected. There has not been much change here. We are still trying to establish the appropriate contacts within the new administration and legislature. While this has been a slow process, we are definitely making progress and should have a rate review bill ready for introduction by the second week of April.

3. Any required variations for the original timeline:

- a. As stated above, finalization of legislation is now targeted for early April, 2011.
- b. The DOI now anticipates a completion date of April, 2011, for our standardized rate review procedures.
- c. Due to election uncertainties, the DOI suspended the hiring of a

consumer specialist, communications specialist and a 'permanent project director' indefinitely. This has not changed.

- d. The completion of the redesign, enhancement and merging of the DOI's websites has been revised to April, 2011, and was assigned to our consulting actuary for completion.

### **Significant Activities: Undertaken and Planned:**

Our rate review legislation should be ready for introduction before mid-April.

Our actuary and other DOI staff are in the process of developing a revised rate review process that will meet the Federal standards of an 'effective rate review program'. This should be in place by the end of April, 2011.

Required HHS rate data reporting was completed on February 1, 2011, using the NAIC SERFF system data.

### **Operational/Policy Developments/Issues:**

The DOI will seek a sponsor and support for our proposed rate review bill in April, 2011.

### **Public Access Activities:**

Historically, all actuarial data and methodology for rate determination have been considered confidential proprietary information and not available for public viewing unless the company agrees to the release of this data or as a result of an order of a court of competent jurisdiction. In order to make the process more transparent and public information, some existing statutes and regulations will need to be amended or repealed. While the DOI is hopeful that this can be accomplished in the upcoming Legislative session, a thorough examination of the existing statutes and regulations must be made. Additionally, there is potential for considerable opposition to the public release of this data by the insurance industry. The DOI must develop a strategy of overcoming this opposition by meeting with and informing the incoming new legislators of the need for these changes. This issue has not changed.

### **Collaborative efforts:**

The DOI developed examination procedures for examining the initial rates submitted by companies. These examination procedures involve reviewing the prior experience of the company, including sampling. The DOI has been in contact

with the six companies that are or will be undergoing a premium rate review examination. With each examination the process has become more streamlined and effective. Additionally, the DOI has been responsive to the companies--answering numerous questions and clarifying issues that the Affordable Care Act raises. To keep abreast of national issues, the DOI has participated in numerous conference calls and webinars with the NAIC regarding the reporting of data through the SERFF system. These collaborations have made reporting and data collection easier for all involved.

**Lessons learned:**

One of the key challenges has been ensuring staff have adequate time to plan, coordinate and implement procedures which are part of the grant project. State budget constraints have placed significant resource stress on the DOI and staffing levels have been severely impacted. The DOI has been required to do more with less due to the increased demands of the Affordable Care Act and the day-to-day state regulatory issues. It is expected that as state revenues continue to shrink, the situation will only worsen.