

**Office of Consumer Information and Insurance Oversight**

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

**Submission Date: January 25, 2011**

**State: Alabama**

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

**Project Quarter Reporting Period: Quarter 1 (08/09/2010-12/31/2010)**

**Grant Project Director: Robert Turner, L&H Insurance Rate Analyst II**

**Email: robert.turner@insurance.alabama.gov**

**Phone: (334) 241-4190**

**Grant Authorizing Representative: Jim L. Ridling**

**Email: jim.ridling@insurance.alabama.gov**

**Phone: (334) 241-4102**

**Introduction:**

The Alabama Department of Insurance (DOI) created three main goals for this grant: (1) establish rate review and approval authority; (2) standardize rate review, approval and information submission; and (3) develop public awareness, build coalitions and strengthen grassroots support.

In order to achieve the first goal of rate review approval authority, the DOI needed to develop legislation and obtain legislative approval during 2011 legislative session which begins in March. In this first quarter, DOI staff conducted research of existing laws and began drafting legislation. Key stakeholders were identified who could assist the DOI develop support for passage of such legislation.

The second goal of rate review standardization required DOI to review the current rate review process, incorporate any regulations and rules developed by HHS, ensure that any guidance from National Association of Insurance Commissioners (NAIC) is adhered to, develop and issue Regulations and Bulletins as needed, and enhance existing IT systems as appropriate. During this quarter, a small, core team of DOI personnel have been put into place to develop and oversee this process.

An outreach effort to key stakeholders for their support in legislative passage of rate approval authority will serve as the main thrust of the third goal-- developing public awareness, building coalitions and strengthening grassroots support. An initial stakeholder meeting was held in this quarter to begin this process.

### **Program Implementation Status:**

#### 1. Accomplishments to Date:

- a. Legislation drafting and revisions to existing regulations have begun albeit behind original date projections. This process is more tedious and time-consuming than originally thought.
- b. The rate review standardization process has also been delayed due to the need of further guidance from HHS and NAIC.
- c. The DOI held an initial stakeholder meeting on December 14, in conjunction with the Exchange planning grant, and had more than 35 people in attendance.
- d. On November 8, 2010, the DOI sent a team of examiners and an actuary to the state's largest domestic carrier to begin the premium rate review process. While this is still an on-going process, the team also began to work with another domestic carrier in early December. Letters to an additional four foreign carriers requesting premium rate data to be submitted electronically to the DOI will be sent in early January.

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.

3. Any required variations for the original timeline:
  - a. As stated above, finalization of legislation is now targeted for March, 2011.
  - b. Now, with the December 23 Rate Increase Disclosure and Review Proposed Rule, the standardized rate review procedures can be completed. The DOI anticipates a completion date of March.
  - c. Due to election uncertainties, the DOI suspended the hiring of a consumer specialist, communications specialist and a 'permanent project director' indefinitely.
  - d. The completion of the redesign, enhancement and merging of the DOI's websites has been revised to March due to current staffing and workload issues.

**Significant Activities: Undertaken and Planned:**

As previous described, legislation has been delayed due to election year uncertainties and major changes in the Administration. The DOI attorney/ assistant project director and actuary are currently in the process of drafting necessary legislation. Final legislation is expected in the second quarter.

Additionally, the DOI in-house life and health actuary has begun his initial review of the rate filing and review process currently in place and documenting improvements which must be made. With the guidance in hand from HHS and with a clearer indication of what is expected in the rate review and approval process, the DOI can now move quickly forward in the development of these processes.

As far as data reporting required by HHS, the DOI has been working closely with the SERFF team at NAIC for grant data reporting requirements.

**Operational/Policy Developments/Issues:**

The main operational issues the DOI sees are the ones due to the uncertainty and volatility associated with an election year and incoming Administration and Legislature. As of December 31, the DOI has not been able to meet with the incoming Governor or any of his staff/policy people to address rate approval issues. Additionally, the organizational session of the State Legislature, where committees and committee chairs will be selected, has not yet been held. These

significant changes in the governance structure of Alabama have placed the DOI behind schedule according to the original grant timeline.

**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.

**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.