

**Office of Consumer Information and Insurance Oversight**

**Alabama Department of Insurance  
Fourth Quarterly Report**

**Part I: Narrative Report**

**Submission Date: October 25, 2011**

**State: Alabama**

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

**Project Quarter Reporting Period: Quarter 4 (07/01/2011- 09/30/2011)**

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**Introduction:**

This report will update grant activity subsequent to the third quarter report which was submitted 7/18/2011.

**Program Implementation Status:**

1. Accomplishments to Date:
  - a. Legislation bill drafting completed and given to our Governmental Affairs Manager for presentation to Legislature but the session ended

- without bill being introduced.
  - b. The rate review standardization process is complete.
  - c. Rate examination work on all carriers is complete and reports have been finalized.
  - d. Review of the DOI websites has been completed and revisions posted.
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 been minimal 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 definitely made some progress; but, unfortunately, this was not a Legislative priority for this annual session.
3. Any required variations for the original timeline:
- a. As stated above, finalization of legislation was completed in early April, 2011.
  - b. Review of standardized rate review procedures was completed in May, 2011.
  - c. Due to state budget constraints after the end of the grant year, 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 and enhancement of the DOI’s websites was completed in August, 2011. We decided not to merger the websites at this time but to keep both up and running with the possibility of using the healthinsurancealabama.gov website exclusively for Exchange information once our Exchange Implementation Level One grant is received and building the Exchange pieces begins.

**Significant Activities: Undertaken and Planned:**

Our rate review legislation was completed in early April, 2011, and, after thorough review by DOI staff, was given to our Governmental Affairs Manager to present to the Legislature for introduction. Unfortunately, due to other priorities in this Legislative session, our bill did not get introduced and thus the DOI is left without any rate approval authority until at least the next Legislative session which begins in early February, 2012. We plan to pre-file this bill with our Legislature in December, 2011, so the bill can be introduced and acted upon quickly. We sent a draft of our proposed bill to CCIIO in August for their review and comment and we feel confident that our revised bill will have a favorable outcome.

Our actuary and other DOI staff, along with CCIIO/CMS staff, reviewed our current rate review process as to the Federal standards of an “effective rate review program.” This was completed in May, 2011. However, on June 24, 2011, CMS/CCIIO notified the DOI that their preliminary finding was that Alabama does not meet all of the criteria for an Effective Rate Review Program in all markets as described in 45 C.F.R. 154.301. One of the main reasons for this was that Alabama’s determination of whether a rate increase was unreasonable was not made under a standard that is set forth in State statute or regulation per 45 C.F.R. 154.301(a)(5). We plan to incorporate this standard into the pre-filed bill mentioned above as well as creating an accompanying regulation with the specifics and details of the process. Also, we are in the process of a comprehensive review of all Alabama insurance statutes and regulations to ascertain if any additional legislative changes need to be made in order for the DOI to have an “effective rate review program”.

Our consulting actuary and DOI staff have finished their review of the two DOI websites. Our initial plan was to merge the two and redesign our primary DOI website to incorporate these changes. However, due to the amount of information and the quality of the existing information on the second website, we have now determined it would be best to keep this second domain website and revise it to include a link to the health care reform information section of our primary DOI website. We also believe that the [healthinsurancealabama.gov](http://healthinsurancealabama.gov) website can and will be used exclusively for Exchange purposes in the near future. Our IT Division did completely redesign our main DOI website in mid-September and is now more consumer-friendly and easier to navigate.

Required HHS rate data reporting was completed through the Health Insurance Oversight System on July 18, 2011, using the NAIC SERFF system data.

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

The DOI plans to pre-file our rate approval authority legislation in December, 2011, prior to the beginning of the next Legislative session which begins in early February 2012. Resources are available through Georgetown University and/or the Robert Wood Johnson Foundation to assist us in ensuring that our proposed legislation will meet the CMS/CCIIO criteria and we have asked and received comments from them regarding this. Also, we asked and have received comments from CCIIO on our proposed rate approval authority bill revision and will incorporate these into our pre-filed bill and accompanying regulation.

### **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 this was not accomplished in the 2011 Legislative session, a thorough examination of the existing statutes and regulations must be made prior to our Legislative efforts for 2012. 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 completed our rate review examination from the six companies involved. 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—this has not changed from previous reports.

**Updated Budget:**

Please find a list of expenditures for the fourth quarter. There were no unforeseen expenditures and total expenditures to date have been less than originally projected. Budget amounts have not changed for the fourth quarter.

**Updated Work Plan and Timeline:**

Updated Work Plan and Timeline attached.

**Enclosures/Attachments:**

1. Attachment A: list of expenditures for quarter four
2. Attachment B: updated work plan and timeline
3. Attachment C: rate review examination reports

**Part II: Health Insurance Rate Data Collection**

Robert Turner is primary contact person in Alabama for SERFF form filings and the DOI actuary, Steven Ostlund, for rate filings. Mr. Ostlund reviews the rate filings for completeness of data and filing fields as well as compliance with any applicable Alabama statutes, regulations and bulletins. Since the SERFF system has been updated, the companies must complete all data fields for rate filings that fall under the grant requirements. We try to correct any discrepancies, missing data and incorrectly filed filings on a timely basis before a SERFF disposition report is submitted. Mr. Turner periodically reviews the Draft Reports under the HHS Detail Report tab in SERFF for accuracy and takes corrective action as necessary using post-submission updates. A week or so before the end of a quarter, Mr. Turner performs another review on the Draft Report to try and ensure that the data is as accurate as possible.

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Alabama Department of Insurance Fourth Quarterly Report

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