



DOMESTIC/FOREIGN INSURERS BULLETIN NO. 70

**TO: ALL INSURANCE COMPANIES THAT WRITE HEALTH INSURANCE
COVERAGE IN DELAWARE**

RE: Preliminary Justifications Parts I And II Are Required For All Health Filings

DATED: June 30, 2014

The purpose of this Bulletin is to inform all insurance companies that write health insurance coverage in Delaware that the Preliminary Justifications Parts I and II are required for all health premium rate filings including rates for plans both on and off the Marketplace.

In order to be more transparent with the rates relating to health premiums, the Federal government developed a Preliminary Justification process (forms) for rate requests requesting over a 10% increase. The format is consumer friendly.

Since Delaware has an established, effective rate review program and reviews all rates, the Preliminary Justifications Parts I and II are to be filed for all rate filings related to full health plans, both on and off the Marketplace. These forms will be posted on the Department's website for comment from public:

<http://de.gov/doiratefiling>

Please email any questions regarding Domestic/Foreign Insurers Bulletin No. 70 to:

rate@state.de.us

This Bulletin shall be effective immediately and shall remain in effect unless withdrawn or superseded by subsequent law, regulation or bulletin.


Karen Weldin Stewart, CIR-ML
Delaware Insurance Commissioner

Insurer's explanation of the rate increase

Summary

updating its rates for Small Group PPO plans in Delaware to adjust for several changing factors. Our new filing proposes to raise average premium rates

Who This Change Will Affect

The proposed rates would apply to policies that renew or start from [redacted] through [redacted]. Approximate [redacted] members currently are enrolled in plans to which the new rates will apply.

Why We Are Asking to Increase Premiums

Medical costs are going up and we are changing our rates to reflect this increase. We expect medical costs to go up 9.2%, excluding the effect of benefit changes described below. Medical costs go up mainly for two reasons: providers raise their prices and members get more medical care. We expect 40% of the medical cost increase to come from providers raising prices and [redacted] to come from members getting more care.

Some examples of increases we have experienced in the last 12 months in Delaware include:

- * [redacted] Costs for pharmacy prescriptions have gone up
- * [redacted] Costs for medical pharmacy prescriptions have gone up
- * [redacted] Expenses for emergency treatment have increased

What Else Affects Our Request to Increase Premiums

We offer Delaware small businesses a variety of plans to choose from. In August 2012, we changed some benefits for these plans, including enhanced coverage for Womens Preventive Health Services. On average, the changes increased expected medical costs approximately 3%. We took that change into account in this rate filing.

Will Premiums for All Small Groups Increase

No, the [redacted] is an average. Some plans premiums will increase by less or even go down; others will increase by more than the average. The exact rate change will depend on what benefit plan the group chooses, when the groups plan starts or renews, and the subscribers ages, and the number of dependents covered under the contract.

How Does This Request Match up with Minimum Loss Ratio Requirements (MLR)?

We expect these rates will produce an MLR equal to or above the required 80% requirement for small group business meaning that we expect at least 80% of the premiums we collect to pay for medical care and activities that improve health care quality for our members. If our actual MLR turns out to be less than 80% -- for instance, if doctors and hospitals raise prices less than we expect -- we will issue rebates as the law requires.

In addition to paying for medical claims and quality improvement activities, a portion of every member's premium goes toward covering administrative expenses such as customer service, claims and billing, and quality activities like disease management programs. Premium also includes premium taxes and Federal income tax.

What is [redacted] Doing to Keep Premiums Affordable?

Our goal is to deliver competitive pricing that allows our customers and members to get the greatest value out of their health benefits. [redacted] also is taking a number of steps to try to keep our products as affordable as possible, such as:

- * [redacted] Developing new relationships with health care providers that compensate them for the quality of care they provide, and not the quantity.
- * [redacted] Creating medical management programs which address potential health issues for members earlier, improving health outcomes and reducing the need for high-cost health care services.

We are also dedicated to increasing transparency within the health care system, as well as helping our members best utilize the plans that they have. Members can access [redacted] our secure member website, which allows them to research their specific plan benefits, health care providers in a given area, and in some locations, the cost of certain health care services. Additionally, [redacted] for Your Health website aims to educate all consumers not just members on how to take advantage of their health care benefits.

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What kinds of Medical Services are causing this rate increase?

Medical Service	Per Member Per Month Increase	Portion of Increase
Hospital Inpatient - Care in a Hospital		
Outpatient - Care in a hospital or other facility that doesn't require an overnight stay		
Professional Services - Payments to doctors and other healthcare professionals		
Prescription Drugs - Medicines you need a prescription to buy		
Ancillary Services - Medical supplies, ambulance fees, etc.		
Capitation - A fixed per person payment the insurer pays to a provider to cover a person's medical costs		
Cost Sharing - Changes in deductibles, copayments, benefits, etc.		
Current Medical Cost Adjustment - The difference between what your insurer thought it was going to pay for medical services and what it actually paid during the current year		
Total Medical Service Cost Changes		

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How would my insurance company use my premium?

Type of Cost	How Premium Dollars Will be Spent if the Requested Rate is used	
	Per Member Per Month	Portion of Rate
Medical Services - Cost of providing healthcare services to policyholders		
Administrative Expenses - Marketing, claims processing, and other costs to the company		
Underwriting Gain/Loss - Amount the company keeps after paying claims and administrative expenses		
Total Request Rate		

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Last three rate increases for this product:

Year	Requested	Got
2011		
2010		
2009		

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Who is reviewing this rate increase?

The rate increase request is being reviewed by the State.

State laws either:

- Allow the insurance regulator to review rate filings, but do not allow the regulator to stop a rate from being used, or
- Allow the insurance regulator to both review rate filings *and* stop an unreasonable rate from being used.

If a state's laws do not allow the insurance regulator to perform effective rate reviews, the federal government* will review any rate increases at or above 10% in the individual or small group market.

*If the federal government is reviewing, [click here to see the filing](#).

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