

Preliminary 2019 Rate Decisions for Individual and Small Group Health Benefit Plans

The Division of Financial Regulation has issued its preliminary rate decisions for 2019 individual and small group health benefit plans – they can be found on the oregonhealthrates.org website. This document provides context to these preliminary decisions for interested stakeholders.

Public hearings will be held July 9-11 and the public is welcome to provide comments until July 11. Final decisions on proposed rates are expected July 20.

Background

Insurance companies offering individual health benefit plans in 2019 must file proposed rates for regulatory review and approval before plans can be sold to consumers. Proposed rates reflect estimates or predictions of future costs, including medical and prescription drug claims costs and administrative expenses, as well as expected enrollment in the individual market. Estimates are based on historical data and forecasts of future trends.

Oregon law requires that premium rates be actuarially sound. This means that rates cannot be too high or too low and may not unfairly discriminate among policyholders. Insurance companies have a responsibility to develop rates that meet these requirements, and the Department of Consumer and Business Services' Division of Financial Regulation has a responsibility to the public to ensure that the rates are actuarially sound. It is easy to understand why the division would be concerned about rates being too high, as consumers should not be overcharged for their insurance coverage, but it is just as critical that rates not be too low to ensure that claims will be paid.

Oregon's market continues to change

Oregon's traditionally competitive health insurance market has been through significant changes over the past several years. Since the Affordable Care Act (ACA) took effect in 2014 and prices became more transparent, premiums have been a large driver of consumer choice and of competition among insurance companies.

As we look forward to 2019, a number of factors influence health insurance rates for Oregonians:

- **Uncertainty in ACA participation due to recent federal changes**

The ACA has undergone several changes since last year. Many of these changes create uncertainty in future participation in the individual market. Congress reduced the individual mandate penalty to \$0 for not enrolling in an ACA plan in December 20, 2017. This change goes into effect in 2019.

The Department of Labor finalized a rule on June 21, 2018, that would make it easier to create an association for the express purpose of purchasing health care. Federal rules are also expected

soon that seek to expand the availability of short term medical plans. We do not anticipate that the short-term rule would supersede protections already in place in Oregon law, which mirrors current federal rules and could therefore help prevent further erosion of the individual market.

The net effect of this uncertainty was a market-wide increase in health rates across the filings was an increase in individual health rates.

- **Reinsurance**

A portion of the premium tax established in House Bill 2391 and approved by the Measure 101 vote is being used to fund a reinsurance program for the individual market. In addition to lowering rates, the program adds stability and predictability in the market. It has already made an impact by keeping 2018 rates from increasing by 6.0 percent. The Oregon Reinsurance Program continued to help affected Oregonians by keeping the individual markets down by an average 6.3 percent in 2019. Without this program, which is one of the first in the nation, the division's preliminary individual market rate decisions would be 6.3 percent higher.

- **Trend**

Allowed trend is the annual increase in per-member-per-month claim amounts, figured on a paid-in-full basis. The division has determined that the allowed trends filed by the carriers are acceptable as they fall within a range of 4.0 percent to 8.0 percent for individual and 4.0 percent to 7.7 percent for small group.

This range is reasonable in light of claims support given in the filings, as well as data from other sources. Paid trends, where shown in the filings, are based on actual reimbursed amounts and are slightly higher than allowed trends, as would be expected. Trends consist primarily of two components, unit cost and utilization. Unit cost trend varies from 3.3 percent to 5.1 percent in these filings, and is greatly affected by the contracts insurers make with their network providers, as well as medical costs attributed to specialized prescription drugs. Utilization trend runs from 0.2 percent to 3.2 percent and is strongly affected by aging of the population, among other factors.

- **Premium spread**

Premium spread is the difference in the premium charged by different companies for similar plans in the same area. The premium spread among companies will be narrower in the 2019 individual market compared to 2018. The spread between the highest and the lowest Standard Silver plan for a 40-year-old nonsmoker in the Portland area is used to demonstrate the spread. The spread decreases from \$97 in 2018 to \$72 in 2019.

2019 Rate Filings and Preliminary Decisions

Insurance companies' 2017 financial statements showed that the total cost to provide coverage for individual plans was \$994 million, while premiums were \$1.07 billion. While 2018 rates increased significantly and some companies are beginning to see improved financial results, the factors described above continue to drive individual health insurance rates higher.

Public Hearings and Final Decisions

These decisions are preliminary, and are subject to continued review through public hearings being held July 9-11. The division has released preliminary decisions before holding public hearings in an effort to provide the public and insurance companies a better opportunity to discuss elements of the filings and the factors affecting the division's decisions. Information about public hearings, including the schedule, can be found at: <http://dfr.oregon.gov/healthrates/hearings/Pages/public-hearings.aspx>.

The division will discuss preliminary decisions with insurance companies during the hearing and take public comment.

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