

# Commonwealth of Massachusetts



## Merged Market Process to Review Health Rate Filings *November 2023*

November 9, 2023



## DOI Mission

“The primary mission of the Division of Insurance (DOI) is to monitor the solvency of its licensees [property/casualty, life/annuity and health] in order to promote a healthy, responsive and willing marketplace for consumers who purchase insurance products. Protection of consumer interests is of prime importance to the Division and is safeguarded by providing accurate and unbiased information so consumers may make informed decisions and by intervening on behalf of consumers who believe they have been victimized by unfair business practices.”



## Merged Market Health Rate Filings

Since 2010, Merged Market (combined small group/individual) health filings have been reviewed according to M.G.L. c. 176J and 211 CMR 66.00.

Through 4Q2023, carrier rate filings were reviewed quarterly:

- Carriers submitted rates at least 90 days before intended to become effective.
- DOI had 45 days to complete its review.

Beginning CY2024, carrier rate filings are reviewed annually:

- Carriers submit rates on May 15 in year before rates are effective.
- Carriers are required to submit a standardized rate filing summary that will be made public and includes the following:
  - List of products subject to the rate filing;
  - Key drivers for the proposed rate change;
  - Range of rate changes and the overall average proposed rate change; and
  - Number of renewing Eligible Individuals and renewing Eligible Small Groups and Small Group Members.
- DOI publishes summary of filings to website within 10 business days.
- DOI holds public session in mid-June so that carriers can explain filing and public can raise issues for DOI to consider in reviewing filings.
- DOI must complete review by mid-August to meet Connector timelines.
- DOI publishes summary of final rates in September.



## Merged Market Health Rate Increases

### Process

- Carriers file a standard data sheet with detail about membership, claims history, administrative expenses and projected actuarial assumptions about claims trends, risk adjustment, taxes, contribution-to-surplus, and other expenses.
- DOI assigns an independent actuary to review all filed assumptions and challenge projections within filings.
- Consulting actuaries report findings to DOI about debatable assumptions.
- DOI staff engage with carriers to address any debatable assumptions.
- If the DOI is satisfied that a filing meets all applicable statutory and regulatory requirements, it is placed on file and may be used by the carrier.
- If final rates do not meet DOI standards, the DOI will disapprove the filing and the carrier will have the opportunity to request a hearing.



## Merged Market Health Rate Increases

### Review authority

According to M.G.L. c. 176J and 211 CMR 66.00, the DOI has the authority to disapprove rates.

The DOI does not have the authority to modify rate filings.

DOI will **presumptively disapprove** rates if:

- Projected medical loss ratio is under 88%;  
(projected claims payments in relation to projected premium revenue is under 88%);
- Contribution-to-surplus (profit) is greater than 1.9%; or
- Administrative expenses increase by more than medical CPI for Boston area.

In addition to presumptive disapproval standards, the DOI may **disapprove** a filing:

- If rates are excessive, inadequate, or unreasonable in relation to the benefits charged; or
- If any filed rating factor change is discriminatory or not actuarially sound.

If DOI disapproves a carrier's rate filing:

- DOI must state its disapproval reasons in writing.
- The carrier may request a hearing about the validity of the disapproval reasons.
- The rates for the carrier are frozen at prior year rates when offered in market.
- If disapproval is overturned, the filed rate increase may go into effect.



## Merged Market Health Rate Hearings

### Past merged market rate hearings

#### April 2010

DOI disapproved all rates increasing by more than 7.7%.

- Carriers called administrative hearings about the disapprovals.
- There was confusion about what products/rates would be available.
- Hearings were not completed until after small employers chose plans.
- Certain DOI disapprovals were overturned; rates were retroactively applied.

#### January 2021

DOI disapproved AllWays Health Partners' 2Q2021 proposed double digit rate increases.

- Hearings were called and initiated in February 2021.
- AllWays and DOI had numerous negotiations to find an acceptable rate outside the hearing process so that AllWays' rates could be available for small groups going through April 2021 renewals.



## CY2024 Merged Market Health Rate Process

- On May 15, 2023, carriers submitted CY2024 rate filings.
  - The carriers filed for an average 3.6% rate increase.
- On May 30, 2023, DOI put summaries of the CY2024 filings on its website.
- On June 14, 2023, DOI held information sessions for the general public.
- On August 23, 2023, DOI completed its review of rates for CY2024.
  - The final rates increased by an average 3.24%.

CARRIER	1Q24		
	Rate Change	Originally Filed Rate Change	Renewing Members
Blue Cross & Blue Shield	3.71%	4.05%	67,636
Boston Medical Cen	-3.30%	-3.79%	52,968
ConnectiCare of Ma	7.85%	8.64%	54
Fallon Community Health Pl	1.16%	3.30%	6,012
Health New England	7.19%	7.19%	13,555
Harvard Pilgrim HC HMO	6.98%	7.36%	46,517
HPHC Insurance Company, Inc	5.93%	6.32%	384
Mass General Brigham Health	6.90%	7.36%	22,392
Tufts Health Public Plans	2.90%	3.40%	142,475
UnitedHealthcare Ins. Com	9.95%	12.26%	9,529
<b>Average / Total</b>	<b>3.24%</b>	<b>3.60%</b>	<b>361,522</b>



# Most Recent Review



- Rate changes varied by company and reflected carriers' expectations of 2024 claims expenses:
  - All claimed that utilization was returning to pre-COVID levels;
  - Most highlighted increased pressure for providers to negotiate higher unit costs to reflect the cost of preventive activities, employee salaries and the increased use of high-cost technology;
  - Some pointed out the cost of new pharmaceuticals, vaccines and testing; and
  - Some pointed out increased costs for certain behavioral health care, including new behavioral health care services for children and adolescents.