

## **PART I**

### **Introduction**

The Illinois Department of Insurance (“the Department”) has made substantial progress during the second quarter in implementing the rate review enhancements proposed in its application for the Health Insurance Premium Review Cycle I Grant (“the Grant”). The Department is utilizing the Grant to develop the infrastructure required for an effective rate review process, including new tools and procedures to collect, analyze, and publish premium information in order to educate consumers and State policymakers. Specifically, the Department is increasing actuarial and insurance analyst staffing and investing in technology necessary for increased collection and analysis of premium data; developing protocols for the collection, analysis, and publication of premium rates; and seeking legislative authority to deny unreasonable premium rates or rate increases. Coupled with an effective campaign to engage the public, the Department’s proposed rate review enhancements will prove to be an important tool for consumers in Illinois’ private health insurance marketplace.

Many important steps toward implementation of the enhanced rate review process took place during the second quarter. Specifically, the Department successfully tested and launched the Illinois Web Portal, a new reporting mechanism allowing the state to collect rating information not gathered by the System for Electronic Rate and Form Filing (“SERFF”) but necessary for the purposes of effective rate review. In February, the Department announced the new reporting protocol and required data elements to insurers via Company Bulletin 2011-02 (see *Appendix A*). Insurers have been submitting new rate filings through the Web Portal since February 1, 2011. The Department is currently working with the National Association of Insurance Commissioners (“NAIC”) to integrate the new portal with SERFF. Also during the second quarter, the Department began the hiring process for two Health Actuary positions, two Health Insurance Analyst positions, and one Assistant Health Insurance Analyst position. These new employees will provide the Department with the staffing capacity necessary to effectively collect and analyze premium rate data. The Department also evaluated proposals submitted by vendors pursuant to the “Unreasonable Premium Rate Review” Request for Proposals (“RFP”, see *Appendix B*), and ultimately selected Oliver Wyman to provide actuarial services necessary for the review of premium filings. The Department also reviewed the HHS Notice of Proposed Rulemaking regarding rate review and will evaluate the final regulation to determine whether legislative or other action is necessary to ensure Illinois has an effective rate review program. Finally, the Department has worked with members of the Illinois General Assembly to advance the rate review legislation it drafted during the first quarter. The legislation was introduced in the State House of Representatives as HB 1501 on February 10, 2011 (see *Appendix C*). The Department is currently working with the bill’s sponsor, Representative Greg Harris, to organize public hearings for the purpose of educating consumers about rate review and the current state of the health insurance market in Illinois.

## **Program Implementation Status**

### **Accomplishments to Date**

The Department has categorized rate review implementation milestones into four broad objective areas: 1) efforts to facilitate the collection of premium rate data; 2) efforts to facilitate the analysis of premium rate data; 3) efforts to obtain the authority and establish a process to conduct comprehensive premium rate review; and 4) the engagement and education of the public regarding premium rate findings. Below is a list of the implementation milestones achieved in each area during the second quarter. A more detailed and narrative discussion of the work behind these milestones appears under the section “Significant Activities: Undertaken and Planned.”

#### *Objective: Effectively Collect Premium Rate Data*

- Developed and posted job listing for two Insurance Analysts positions;
- Developed and posted job listing for one Assistant Insurance Analyst position;
- Developed and successfully launched an electronic reporting system for new rate filings (the Illinois Web Portal);
- Discussed with SERFF options for integrating new Illinois Web Portal capabilities into SERFF system over the long term; and
- Drafted and circulated Company Bulletin 2011-02 providing instructions to insurers on the new rate filing requirements and procedures (*See Appendix A*).

#### *Objective: Effectively Analyze Premium Data*

- Began to compile and collect necessary data;
- Evaluated proposals submitted pursuant to the Rate Review RFP:
  - selected a vendor (Oliver Wyman) to provide actuarial services and other analysis related to premium rate review; began negotiating contract details with Oliver Wyman; and
- Began hiring process for two new Health Actuary II positions to assist with rate review activities.

#### *Objective: Obtain Authority and Establish Process for Comprehensive Premium Rate Review*

- Reviewed ACA provisions and proposed regulations related to review of unreasonable premium increases and began development of an internal process for reviewing rates;
- Worked with members of the General Assembly to have legislation drafted in the first quarter introduced in the State House of Representatives (*see Appendix C*); and
- Developed and disseminated a fact sheet to educate legislators, advocates, and the public about the legislation (*see Appendix D*).

*Objective: Engage and Educate the Public on Premium Rates and Rate Review Authority*

- Began planning activities for public events surrounding rate review legislation with the bill's sponsor;
- Participated in outreach meeting with a wide variety of consumer advocates; and
- Conducted public education through a Premium Rate Review Educational Webinar (available on the Department's website at <http://insurance.illinois.gov/webinars/>).

## **Challenges and Responses**

As noted in the previous Quarterly Report, the Department experienced a delay in filling the positions proposed in the original grant application due to certain limitations imposed by state-mandated hiring processes. Unfortunately, even the adjustments to the original hiring timeline detailed in the first quarter report proved optimistic. While it was previously expected that the positions could be filled in the second quarter, the process has met with further delay and the Department now anticipates third and fourth quarter start dates for Grant-related positions. The Department is currently in the process of scheduling interviews for the Insurance Analyst and Assistant Insurance Analyst positions, and it is expected that those hired will begin work in May 2011. However, because the Health Actuary II positions will be hired as permanent state employees (rather than on temporary contract as is the case with the Insurance Analysts), applicants are subjected to a more prolonged state hiring process and are unlikely to begin work prior to July 2011.

The Department has attached an updated budget spreadsheet and budget narrative. These documents more accurately categorize the different expenses associated with the Grant and reallocate funds based on the current personnel needs of the Department. As new personnel are hired and new contracts are executed (such as the contract for actuarial services with Oliver Wyman), the Department will supplement this report with additional information about Grant-related personnel and vendors and adjust the cost allocations as needed.

The Department has also taken significant steps to update its outdated IT systems and capabilities. Having successfully developed and introduced the Illinois Web Portal in order to collect additional insurer data necessary for rate review, the Department is now working closely with the NAIC and SERFF on long-term plans to integrate the processes and eliminate the need for carriers to submit separate filings into each system. The Department is also engaged in discussions with third party software companies to further enhance its analysis capabilities should integration prove unfeasible.

Another challenge the Department has encountered is the lack of explicit statutory authority to approve or deny premium rates or rate increases. To address this problem, the Department drafted legislation (HB 1501—see *Appendix C*) in the first quarter that requires insurers to report detailed rate information to the Department, and provides the Department with the ability to deny proposed rates which are unreasonable, excessive,

inadequate, unjustified or unfairly discriminatory. The bill was introduced in the General Assembly on February 10, 2011.

Finally, the Department delayed holding public hearings surrounding the issue of rate review and premium rate increases in order to collaborate with the sponsor of HB 1501, Rep. Greg Harris. Department staff are currently working with Rep. Harris to develop a strategy to publicize the issue.

### **Significant Activities: Undertaken and Planned**

As noted above, the Department has categorized Grant implementation milestones into four broad areas: 1) efforts to facilitate the collection of premium rate data; 2) efforts to facilitate the analysis of premium rate data; 3) efforts to obtain the authority and establish a process to conduct comprehensive premium rate review; and 4) the engagement and education of the public regarding premium rate findings. Each of the four categories is further organized into multiple subcategories. Milestones implemented or initiated during the second quarter are divided by subcategory and described below.

#### *1. Collection of Premium Rate Data*

##### *A. Technical Capacity for Data Collection*

After determining in the first quarter that SERFF would be unable to accommodate the need to gather additional premium information into an easily searchable database, the Department began development of a new system. Efforts continued into the second quarter, and on February 1, the Department launched the Illinois Web Portal. The Department then took steps to notify carriers of the new reporting requirements through the issuance of Company Bulletin 2011-02 (see *Appendix A*). While the availability of this information will enable effective rate analysis and review once the Department fully develops these capabilities (see below for more information on efforts related to these tasks), the Department has continued to work with the NAIC and SERFF in the hopes of integrating the information necessary for review into the SERFF system. To that end, several Department staff participated in a conference call with SERFF officials on April 20, 2011. It is the Department's understanding that NAIC will be surveying members to determine whether there exists broader desire for additions to SERFF filing requirements.

##### *B. Staffing Capacity for Data Collection*

While the Department still plans to hire two insurance analysts and one assistant analyst to perform functions related to premium review, the process has been further delayed as discussed in the *Challenges and Responses* section above. During the second quarter, the State posted job descriptions for each of the positions and accepted applications from interested candidates. The

Department is currently working to schedule interviews. The Department is hiring both the insurance analysts and the assistant insurance analyst on a temporary contract basis and expects them to start work as early as May.

*C. Actual Collection of Data*

Pursuant to Company Bulletins 2010-08 and 2011-02, the Department has received 51 rate filings since December 1, 2010, and of those, 34 have been reviewed. Since January 1, 2011, the Department has received 29 filings through SERFF—23 of which are requesting increases.

*2. Analysis of Premium Rate Data*

*A. Identifying Analytics Goals*

The Department has reviewed the HHS proposed rule on unreasonable premium rates, and is in the process of developing a list of market trends that will help to inform the public and policymakers about the current state of Illinois' private health insurance marketplace. When this process is complete, the Department will need to determine the data necessary to calculate such trends.

*B. Technical Capacity for Data Analysis*

Late in the first quarter, the Department issued a Request for Proposals (RFP) to acquire actuarial services from an outside firm. After carefully reviewing competing proposals, the Department selected Oliver Wyman as its vendor and will be working with the firm to review premium data. The State is in the final round of contract negotiations with Oliver Wyman and expects to have an agreement in place by the end of April 2011, with the goal of launching the project by early May 2011. At that time, Department staff will work with Oliver Wyman to establish the details of the evaluation process for rate filings.

*C. Staffing Capacity for Data Analysis*

After posting a job listing for the first Health Actuary II position late in the first quarter, the Department posted for a second actuary in February 2011. Health Actuaries will work with Oliver Wyman to review premium information, assisting with the initial evaluation of all rate filings received from carriers, including an initial evaluation of the reasonableness of a proposed rate. They will also assist the Department in a macroanalysis of Illinois' private health insurance marketplace to identify trends in premium rate increases, and the impact of such increases on families and employers. The Health Actuaries will be considered permanent employees within the Department of Insurance and will therefore be subject to a more extensive

State hiring process than the insurance analysts. Consequently, the Department does not expect those hired to be able to start work before the end of July 2011.

*D. Conduct Actual Analysis*

It is still the Department's intent to imbed within the new Rate Review Portal technology to automatically query the data for rate review analysis and trends. While the Department completes its mock up of a quarterly and/or annual Rate Review report for the public, the IT staff are working on the existing portal and evaluating the need and ability to develop such reports in Microsoft Access. The next step will be to establish a process for posting the report on the Department's website and eliciting public feedback. This particular action item has not yet been initiated.

*3. Obtain Authority and Establish Process for Conducting Comprehensive Premium Rate Review*

*A. Obtain Authority to Approve or Deny Premium Rate Increases*

After drafting legislation in the first quarter to obtain the authority to deny unreasonable premium increases, the Department worked with Representative Greg Harris to introduce the bill in the State House of Representatives. On February 10, 2011, Representative Harris introduced HB 1501 (see *Appendix C*). The Department has worked to educate legislators about the issue, and since introduction the bill has attracted 18 co-sponsors. On February 14, the bill received its First Reading in the House and was referred to the Rules Committee; on February 28, 2011, it was assigned to the Insurance Committee. Unfortunately, it did not move out of Insurance, and on March 17 was re-referred to the Rules Committee. At this point, the Department does not expect further action on the bill during the General Assembly's spring session.

The Department also participated in Governor Quinn's Health Reform Implementation Council ("Council"), with Department Director Michael McRaith serving as Vice Chair. On January 31, 2011, the Council published its initial recommendations, which included support for the establishment of rate review authority within the Department.

*4. Public Engagement and Education*

*A. Public Hearings*

The Department is working with Representative Harris to schedule public hearings around HB 1501. With the General Assembly likely adjourning at the end of May 2011, the Department hopes to engage stakeholder groups to

educate consumers and create momentum behind the legislation heading into the abbreviated fall Veto Session. The Department will publicize the hearings and record them for posting on the Department's website.

On February 18, 2011, Department Director Michael McRaith called a meeting with several patient and family advocate organizations. The Department provided participants with copies of HB 1501 and explained various provisions in the legislation as well as the connection with the Affordable Care Act. Participating groups have since been helpful in reaching out to General Assembly Members and organizing their respective constituencies in support of the legislation.

*B. Interactive Website*

The Department has received a Consumer Assistance Program Grant under the Affordable Care Act and will be coordinating website improvement efforts related to both grants so as to avoid duplication. The Department will use grant dollars to develop an interactive and user-friendly website allowing consumers to, among other things, search and access all publicly available information related to premium rates and rate increases within the Illinois health insurance marketplace. Through the Consumer Assistance Program Grant, the Department is currently in the process of hiring two new staff members to develop the website. Job listings were posted in March, and the Department is currently in the process of scheduling interviews with applicants with the hope that those hired would start in June. In addition, the Department is in the process of evaluating proposals submitted in response to an RFP (see *Appendix B*) requesting an assessment of the Department's consumer service activities, including the accessibility of the Department's website and other outreach efforts. The work of the selected vendor will help inform the form and content of the new website.

*C. Translation Services*

The Department made the decision to coordinate essentially all translation activities with the work project being conducted under the Consumer Assistance Program grant. As part of that work, which includes a comprehensive analysis of the effectiveness of the Department's existing communication with consumers and development of a plan for improving communication, the Department intends to translate all of its web pages and materials into several different languages and will contract with a vendor to accomplish this task, including all rate review-related information. The funding allocated as part of this grant will supplement those efforts. It is likely this will not occur until the fourth quarter of the Grant period.

*D. Educational Webinars*

On February 1, 2011, the Department conducted an educational webinar entitled “Health Insurance Premium Increases in Illinois” (see *Appendix E*) – the third in a series of educational webinars related to the Affordable Care Act. Department Director Michael McRaith presented information about the Illinois insurance market and rate review requirements in the ACA and answered questions from participants. A copy of the webinar as well as an audio file of the presentation is now posted on the Department’s website (<http://insurance.illinois.gov/webinars>). More than 100 people participated in the webinar during its live presentation, and since January 1, 2011, the webinar site has received a total of 6,806 visits from 2,295 unique individuals (because the webinars are all hosted on the same page after their initial presentations, there is no way to track which individual webinars are viewed by site visitors). The Department expects to conduct future webinars on premium rate review.

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

After considering the type of data that would be necessary to conduct effective rate review, the Department concluded that the SERFF system was not the best or most efficient way to collect the desired data. The Department remains committed to working with SERFF and the NAIC on a long term solution. To meet the Department’s immediate data collection needs, the Department worked with a vendor to develop the Illinois Web Portal, an alternative system that will allow for collection and analysis of additional data.

As mentioned above, the Department currently lacks authority to deny unreasonable rate increases, and has worked with the General Assembly to draft and introduce legislation to obtain such powers. Unfortunately, the legislation did not move out of committee during the spring legislative session. The Department plans on working with the legislation’s sponsor as well as stakeholder groups to raise public awareness in advance of the fall legislative session.

### **Public Access Activities**

As previously mentioned, the Department has undertaken several activities aimed at engaging the public on premium rate review issues. On February 1, 2011, Department Director Michael McRaith conducted a live webinar entitled “Health Insurance Premium Increases in Illinois” (see *Appendix E*). The live webinar was viewed by more than 100 participants, who were allowed to submit questions before and during the presentation. The webinar is also available as a video and PDF file on the Department’s website. Since January 1, 2011, the page hosting the health reform webinars has received 6,806 visits from 2,295 unique individuals. On February 18, 2011, Director McRaith met with patient and family advocate groups to explain details related to HB 1501, legislation establishing rate review authority within the Department. The Department is also in the process of working with the sponsor of HB 1501 to schedule public hearings on premium rates and the effect the legislation could have on the marketplace.



The Department also received a Consumer Assistance Program Grant under the Affordable Care Act and will be coordinating website efforts related to both grants so as to avoid duplication. Through the Consumer Assistance Grant, the Department is hiring staff to develop and maintain a new website. The Department is also in the process of evaluating proposals for an evaluation of current consumer outreach efforts as well as the development of a consumer satisfaction survey that can be submitted online.

### **Collaborative Efforts**

The Department was a key participant in Governor Quinn's Health Reform Implementation Council ("the Council"), with Department Director Michael McRaith serving as Vice Chair. On January 31, 2011, the Council issued a report to the Governor recommending that the Department be granted the authority to review premium rates.

As mentioned above, the Department has reached out to consumer advocacy groups to draw on their expertise and obtain support for rate review legislation. This includes collaboration with both local and national elected officials to rally support among Illinoisans for rate review authority for the Department. An advisory group is currently in the process of formation.

The Department has also worked with the NAIC to develop modifications to SERFF, with a long-term goal of merging its operations with the new portal.

The Department is working with the Sponsor of HB 1501, Rep. Greg Harris, to conduct public hearings regarding the legislation.

### **Lessons Learned**

The Department has continued to experience problems with the state hiring process, and hiring for health actuary and insurance analyst positions detailed in the original Grant application has been further pushed back. Moving forward, the Department will adjust its expectations regarding the addition of staff.

**Premium Review Project Budget Narrative**  
(Updated April 30, 2011)

**Overall Budget**

The Illinois Department of Insurance (DOI) budget for the current fiscal year totals \$40,137,400. Projected annual revenue collected in FY10 is \$359,200,677 (this amount includes the taxes collected and transferred to the General Revenue Fund).

**Current rate review budget for Illinois' FY 2011**

The current budget for premium rate review is \$80,481. The total includes 1 full-time Insurance Analyst II plus employee benefits which is a cost of \$75,381. Additional employee costs total \$5,100. This position does not require travel. (Please see attached spreadsheet for more detail).

**Estimated Budget for Premium Review Cycle I**

To enhance the current rate review process and to improve consumer protection standards, the Department estimates a total cost of \$1,000,000. An itemization of the costs is below.

**Personnel**

The submitted proposal requires 6 additional staff which includes 2 health actuaries, 1 actuarial assistant, 2 insurance analysts and 1 clerk/office coordinator. Total estimated cost for salaries is \$369,192.00. Attached is an itemization of personnel and fringe benefit costs in a modified position estimator spreadsheet.

Fringe Benefits

The cost of fringe benefits, including group insurance, social security, and retirement for the two additional permanent staff is \$92,977.00.

Travel

Though new staff will not travel, existing staff will travel under the grant to perform activities related to advancing legislation establishing rate review authority and coordinating with Springfield staff and other stakeholders across the state. Joe Weimholt, Assistant Director for Health Policy, has traveled to Springfield several times during the legislative session to advocate for the Department's legislation, and will likely make additional trips in the coming weeks and possibly during the Fall Veto Session. The Department has allocated \$3000 for the cost of travel, including mileage (408 miles roundtrip at the federal rate of 51 cents per mile, or \$208), hotel (\$70/night plus taxes), and Per Diem

(\$27 per full day). This will cover the cost of one staff traveling 1-2 times per month to Springfield during the General Assembly's spring session.

### Equipment

For the two new permanent employees and four additional contracted staff funded by this grant, the Department anticipates an average cost of \$1000 per employee for equipment for the year. This comes to a total of \$6000, and includes computers, printers, calculators, staplers, and other similar equipment.

### Supplies

For the two new permanent employees and four additional contracted staff funded by this grant, the Department anticipates an average cost of \$500 per employee for supplies for the year, for a total of \$3000. Supplies (also referred to as "commodities") include paper, pencils, pens, ink cartridges, filing folders, binders, and other similar materials.

### **Contractual Services**

#### New Employee Contractual Services

For the two new permanent employees and four additional contracted staff funded by this grant, the Department estimates an average cost of \$1000 per employee for various contractual services for the year, for a total of \$6000. These contractual services are a standard cost built into the cost of hiring new employees, and include services ranging from renting offsite storage for servers, to repairs and maintenance of IT and other electronic equipment.

#### IT Services

Illinois intends to develop a new analytic data system to report rate increases to consumers. Improvement to the current IT infrastructure requires funding for a Level II IT consultant to design and build rate review software and convert to web-based system for consumer use.

IT development would consist of 2 6-month contracts for web development. Each contract will require the expertise of a Level II IT consultant. The average rate of a Level II IT consultant is currently \$99 per hour. Each 6-month contract consists of 1,000 hours of work, for a total of \$198,000.

#### Actuarial Services

Illinois is in the final stages of contracting with Oliver Wyman to assist the Department in analyzing premium rate increases flagged as being potentially "unreasonable", and assisting the Department in filling any gaps in their new process. At an estimated cost of \$250 per hour for 1,095 hours of work (6

months), the Department estimates this activity will cost \$272,978 for one six month contract.

### **“Other” Category Spending**

#### New Employee Electronic Data Processing (EDP)

For the two new permanent employees and four additional contracted staff funded by this grant, the State estimates an average cost of \$2,000 per employee for electronic data processing services for the year. This comes to a total of \$12,000. These services are a standard cost built into the cost of hiring new employees, and include services such as rental of data processing equipment and facilities.

#### New Employee Telecom

For the six new employees funded by this grant, the State estimates an average cost of \$600 per employee for various telecom services for the year. This comes to a total of \$3,600. These services are a standard cost built into the cost of hiring new employees, and include services such as local and long distance calling, phone rentals, and blackberry contracts.

#### IT Upgrades

The Department will upgrade the current SERFF system at a cost of \$18,808. The cost estimate covers the expenses associated with modifying SERFF to address data collection and reporting requirements, such as:

- State options to indicate premium review grant participation;
- Company profile changes to incorporate company type;
- State-maintained indicator for rate filing requests meeting the HHS threshold for ‘unreasonable’;
- Addition of field to indicate product types;
- Company-maintained product information including product name, HHS id, and product status that will allow the companies to track products and apply them to filings;
- A new set of fields added to the Rate/Rule schedule items to provide HIPR data on a policy form basis;
- Changes to the State API to accommodate retrieval of the data elements added above and to allow for updates of appropriate data elements via the State API.

#### Public Hearings

The Department will partner with state legislators to conduct public hearings regarding premium rates and increases. The goal is to hear the “real” impact of rate increases on individuals, families and small businesses and explain the benefits of proposed legislation establishing rate review authority. The

Department estimates the cost of the public hearings to be \$1,000. This estimate is based on evaluation of unspecified expenses for print materials, newspaper notices, rental of conference space and miscellaneous expenses (*i.e.*, projectors, screens). *The Department intends to use public meeting space such as public libraries or universities, which may have nominal rental fees.*

#### Consumer Education and Outreach

The Department will engage and educate the public and policymakers regarding health insurance premiums, health care costs, utilization and benefit design. The Department estimates the cost of this effort will be \$1,500. The estimate includes the cost of media notifications, printing and postage.

#### Translation Services

In an effort to provide appropriate services to all Illinois consumers, the Department will translate web-based databases, documents, reports and charts to Spanish, Polish and Korean. In addition, the Department will translate documents, reports and charts into other languages identified in the last census. A detailed description of language services is attached. The Department estimates the cost of these services to be \$11,945.

**Premium Rate Review Project Work Plan**  
(Updated April 30, 2011)

**I. The goals of the Premium Rate Review Project are to:**

1. *Expand the scope of current review processes and improve rate filing requirements.*
  - a) To improve the infrastructure for health insurance rate filing, review, analysis and publication, the Department of Insurance (the “Department”) plans to hire additional staff, update existing technology for collecting and analyzing rate information, and impose reporting requirements on insurers.
  - b) In addition, the Department plans to engage and educate the public and policymakers. Outreach will be premised upon the information assembled from the rate review reporting (as well as the additional consumer-provided information described below), the analysis of that data, and further reports on consumer impact.
2. *Enhance consumer protection standards.*
  - a) To increase transparency and enhance both consumer and policymaker engagement, the Department will conduct public hearings on proposed unreasonable rate increases, and the effect of these increases on Illinois families and businesses. All information related to the hearings will be posted prominently on the Department’s website.
  - b) The Department also plans to engage individuals from across the state to inform the Department on the true impact of current health insurance premium rates, to understand the statewide health care economy, utilization trends and benefit designs.
  - c) The Department will develop interactive tools for consumers, accessible on the Department website, which are dedicated to improving transparency and understanding of premium rate information through the use of consumer-friendly interfaces. This technology will enable individuals and businesses to search a database that will include:
    - Information on the history of an insurer and previous rate increases (to the extent the State has this information);
    - Functionality to permit individuals to compare rates and trends; and
    - A means for a consumer to submit to the Department a standardized survey about experienced rate increases, accompanying benefit reductions, satisfaction with an insurer’s

rating practices, and any additional information the Director deems necessary.

**II. The Department will know how many consumers it reaches by:**

- a) The number of attendees of the public hearings and educational events, such as webinars;
- b) The number of “hits” to the website;
- c) The number of consumer surveys returned; and
- d) The number of policyholders impacted by a proposed rate change.

**III. Preliminary actions have taken place for the Premium Rate Review Project.**

The Department has publicly and privately engaged the insurance industry and emphasized the need for rate review in Illinois. The Department prepared and published a report of rate increases in the individual market dating from 2005. The Department drafted legislation for the Illinois General Assembly to adopt that would authorize the Department to approve or deny a rate increase. The Department has initiated the formal hiring process to employ necessary personnel.

**IV. The Premium Rate Review Project will be conducted by the Department’s actuaries and insurance analysts in partnership with an actuarial consulting firm (Oliver Wyman).**

Improvement of the rate review process requires the Department to hire 2 additional actuaries to help manage increased rate reporting and analysis of rates. The Department will hire 2 additional analysts to help process the higher volume of rate filings. Credentials for those employees will include the following:

- The **Health Actuaries** perform highly responsible professional actuarial work by providing counsel and advice and conducting technical research in the insurance field of life, accident and health; conducts technical actuarial determinations of insurance firms doing business in the State; develops and prepares reports and recommends appropriate actions to the chief actuary or to the department director and administrators; may supervise lower level actuaries.
- The **Health Actuary** position requires knowledge and skill equivalent to completion of four years of college, with courses in higher mathematics, such as calculus, probability and statistics. Requires four years professional experience in actuarial work in the life, accident and

health field. Preferably requires the equivalent to the certificate received for the completion of necessary examinations to qualify as an Associate or Fellow of the Society of Actuaries (A.S.A. or F.S.A.) or Casualty Actuarial Society (A.C.A.S. or F.C.A.S.). Preferably requires the type and kind of experience and training necessary for membership in the American Academy of Actuaries.

- **Insurance Analyst II** performs professional duties in specialized areas of insurance: reviewing, analyzing or auditing documents to determine compliance with regulatory and procedural standards; or reviewing or analyzing policy forms, rating plans, filing, license applications, charters and bylaws; or investigating complaints, claims and disputes.
- **Insurance Analyst II** requires knowledge and skill equivalent to completion of four years of high school. Requires one year of professional experience as would have been gained as an Insurance Analyst I. Requires either a working knowledge of either the Illinois Insurance Code, departmental rules, regulations, executive bulletins and general insurance company methods and procedures, particularly as related to life, accident and health or property and liability types of financial regulations; as related to policy evaluation, license and complaint resolution; or requires a working knowledge of the State Employees Group Insurance Act in matters pertaining to benefits, claims, privileges of participants and responsibilities of carrier.

#### **V. The Premium Rate Review Project will take place**

August 9, 2010 – September 30, 2011.



## PREMIUM REVIEW PROJECT TIMELINE

(Updated April 30, 2011)

The Illinois Department of Insurance (“the Department”) will proceed with the following timeline for implementation of stated grant activities to enhance the current rate review process.

**First Quarter (August 9, 2010 through December 2010).** *This quarter will primarily be composed of going through the formal hiring process, staff training, and planning necessary to effectively execute each of the activities planned in the grant application.*

- August/September 2010. The Department anticipates the National Association of Insurance Commissioners (NAIC) will begin work immediately to modify the current System for Electronic Rate and Form Filing (SERFF) to address data collection and reporting requirements in Section A.1(c)(2) of the grant application. Until the Department is able to procure the Level II IT consultant, the Project Director will be working closely with NAIC over the subsequent 3 months of development to improve this technology.
- October 2010. The Department will initiate the formal process of hiring new staff dedicated to the Rate Review Enhancement Project. Illinois has a structured interview and selection process that includes bargaining contracts, executive orders and court mandates. These procedures may take 12-16 weeks or longer.
- October 2010. The Department will begin the process of preparing for and contracting with a new IT consultant dedicated to health reform and procuring additional actuarial consulting services. The Department will submit a Request for Proposal (RFP) following the statutorily required procurement process, which requires approval from the State Chief Procurement Officer. This is estimated to take approximately 12 weeks.
- October 2010. The Department will work with industry, consumer, and community-based organizations to identify partners for the engagement and education of the public and policymakers.
- October 2010. Department senior staff will work in concert with the new health reform IT consultant to begin crafting a plan to transition the Department’s existing IT infrastructure to meet the needs of improved rate review activities and consumer engagement tools.
- October/November 2010. The Department will establish a reporting protocol for major medical insurance products.
- November 2010. The Department will provide written notification to insurers of the Department’s rate increase reporting protocol.

- December 2010. As soon as practicable, insurers in every market (individual, small group, large group, HMO) will begin reporting rate information electronically through SERFF and the IT infrastructure developed for this purpose.
- December 2010. Using the enhanced SERFF technology and the IT design plan from the consultant, the Department will begin building an enhanced IT infrastructure to report findings to consumers.

**Second Quarter (January 2011 - March 2011).** *This quarter will be dedicated to public hearings on rate increases, developing/testing/training staff on the new technological infrastructure necessary, and educating insurers about the IT reporting process.*

- January 2011. The Department will continue to engage and educate the public and policymakers regarding the dysfunction of the Illinois market and the need for extensive rate review authority, through mechanisms such as educational webinars and other outreach to coordinate with stakeholders on expanding rate review authority for the Department. Department professionals will continue to evaluate and analyze data received in the rate review process.
- February 2011. The Department will launch the new reporting system for rate filings and notify carriers of the new requirements.
- February-April 2011. The Department will review proposals submitted for actuarial consulting services, select a vendor, and execute a contract with the vendor to perform those services.

**Third Quarter (April 2011 – June 2011).** *This quarter will be dedicated to evaluating implementation and actual information reported due to the new reporting requirements, more in-depth review of rates, reporting on rates, and communication with key stakeholders during the second half of the state's legislative session.*

- April/May 2011. The Department will work with state legislators and relevant stakeholders to develop a plan for public hearings on proposed rate increases (with the goal of multiple hearings in Chicago and Springfield). Planning will consist of location, logistics, potential witnesses, public notification, and administrative processes.
- April/May 2011. The Department will contract with a vendor (Oliver Wyman) to provide actuarial consulting services related to the rate review process.
- May 2011. The Insurance Analysts are expected to begin work.

- May 2011. Appropriate Department staff will meet with representatives from Oliver Wyman to establish a detailed process for the evaluation of rate filings.
- May 2011. Appropriate Department staff will commence training on updates to SERFF reporting systems and related API web services, while new technical staff continues to represent the needs of the Department as it relates to additional updates to SERFF and related API services with NAIC.
- May 2011. SERFF staff and our internal health reform IT consultant will train relevant staff on new rate filing technology. IT staff will work with senior rate filing staff to draft the appropriate notice and directions on the new rate filing system for insurers. New information will be made public, and posted prominently on the Department's website.
- May/June 2011. The Department will commence a public campaign to inform individuals and businesses about the information and trends apparent in the rate filing data. This may include only preliminary information, rate trends, and relevant information related to the Medical Loss Ratio data submitted to the state, NAIC, and HHS.
- May 2011– 2012. The Department expects to host public hearings on proposed rate increases.

#### **Fourth Quarter (July 2011 – September 30, 2011)**

- July/August 2011. Any new legislation granting the Department rate review authority will be incorporated into appropriate regulation, and the Department will evaluate and begin planning for the necessary IT system updates and additional staffing needs related to any potential new authority.
- August 2011. The Health Actuaries are expected to begin work.
- August 2011. The Department will compile and publish analyses regarding rate increases, health care costs, health care utilization and benefit design.
- August 2011. In coordination with the efforts in the Department using the Consumer Assistance federal grant, IT staff will launch a beta version consumer interface for the rate review web site and associated tools with simulated information for feedback and refinement.
- September 2011. Reports generated from the rate review process will be made publicly available.