

For Immediate Release
April 25, 2013

Contact:

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Hatch Questions Single State Waiver for Health Insurance Rating Requirements

In Letter To Health & Human Services Secretary Sebelius, Utah Senator Demands Answers On Why Massachusetts Was Only State Granted Reprieve From Rate Shock

WASHINGTON – In a letter to Health and Human Services (HHS) Secretary Kathleen Sebelius today, U.S. Senator Orrin Hatch (R-Utah), Ranking Member of Senate Finance Committee, questioned the Obama Administration’s decision to waive the health insurance rate requirements that were included in the Patient Protection and Affordable Care Act (PPACA) for only one state, Massachusetts.

“State regulators throughout the country have expressed to you their concerns about the impact of rating reforms on the operations of their markets and have requested a similar transition as the one given to Massachusetts,” **wrote Hatch.**

Insurance rate requirements restrict how much health plans can vary premiums based on factors such as age, health status and gender. While a variety of states allow insurers to consider multiple factors before setting rates for individuals and businesses, starting in 2014 the new health law imposes modified community rating rules that prohibit health plans from rating based on an individual’s health status. The new rules only allow for limited rating based on age, geographic area, number of family members, and tobacco use.

In response to comments from all state insurance commissioners requesting a phased-in approach to federal rate requirement mandates, which could trigger rate shock and cause premium costs to rise for consumers, the Administration claimed they did not have the authority to establish a transition period. However, Massachusetts has been granted a three-year transition period to eliminate the use of certain rating factors allowed under state law.

Hatch continued, “It seems only reasonable that the Department has the same authority to offer flexibility to all states, regardless of whether or not the states had an established exchange prior to January 1, 2010.”

Hatch asked HHS to provide information on: the legal authority to grant a transition period for rating requirements; whether similar transition periods will be provided to other states; and why the final rule implementing the rate requirements states the department did not have the legal authority to provide a phase-in of the rating provisions for states.

The text of the letter is below:

April 25, 2013

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Dear Secretary Sebelius:

In a letter to the Division of Insurance under the Office of Consumer Affairs and Business Regulations in Massachusetts the Center for Consumer Information and Insurance Oversight (CCIIO) provided the state a transition period of three years to eliminate the use of certain rating factors currently used and allowed under state law.

The correspondence identifies Section 1321(e) of the Patient Protection and Affordable Care Act (PPACA) as the authority to implement transition periods for already established exchanges, but as you note, this provision does not apply to Subtitles A and C of PPACA; including the new rating requirements that will take effect January 1, 2014. However, the Administration has concluded that due to the relationship between rating requirements under Section 24701 of the Public Health Service Act (PHSA) and the operational concerns identified under Section 1321(e) it is appropriate to afford Massachusetts a transition period.

The Administration's conclusion to provide the transition period, even though Section 1321 specifically exempts Subtitles A and C, suggests that the legal authority to do so is provided through general authorities that the Department of Health and Human Services (the Department) has to implement the law. It seems only reasonable then that the Department has the same authority to offer flexibility to all states, regardless of whether or not the states had an established exchange prior to January 1, 2010. State regulators throughout the country have expressed to you their concerns about the impact of rating reforms on the operations of their markets and have requested a similar transition as the one given to Massachusetts

I respectfully request the Department provide the following:

1. The specific legal authority to grant a transition period for rating requirements;
2. Whether similar transition periods will be provided under the same legal authority to states expressing similar concerns related to the new rating requirements and operational capabilities of an exchange; and
3. An explanation for why the Department stated in the final rule implementing rating requirements that it did "not have the legal authority to provide for a phase-in of certain rating provisions such as the 3:1 age factor or the per-member-rating methodology," but was then able to provide for a transition period for the state of Massachusetts.

I appreciate your timely response to this request.

Sincerely,

Orrin G. Hatch
Ranking Member
Senate Finance Committee

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