

MEMORANDUM

To: Reporters and Editors

**From: Scott Mulhauser and Erin Shields for Senate Finance Committee
Chairman Max Baucus (D-Mont.)**

**Re: Baucus Applauds New Health Insurance Premium Rate Review Rule
Protecting Consumers**

Senate Finance Committee Chairman Max Baucus (D-Mont.) today applauded a new proposed regulation issued by the Department of Health and Human Services (HHS) requiring insurers to justify significant premium increases before they go into effect. Rate review will bring much-needed transparency to the insurance industry and will prevent insurance companies from increasing premiums at exorbitant rates, which often force individuals and small businesses to drop coverage. According to HHS, insurance premiums have risen by 131 percent over the last eleven years - an increase that makes health insurance prohibitively expensive for many average families. Baucus was a chief architect of the Affordable Care Act and worked to include the rate review provision to prevent excessive and unjustified rate hikes. From Chairman Baucus:

"For too long, insurance companies have been able to increase costs on consumers without justification. The new health care law gives consumers effective tools, including the ability to review proposed rate increases, so families and individuals will know the money they spend on insurance premiums will improve their coverage and make them healthier, not just inflate corporate profits. Consumers in Montana and across the country will be better off because rate review exposes and hopefully ends these egregious, unjustified premium rate hikes. The new health care reform law gives consumers the power to choose the insurance plan that is right for them, and this transparency in costs is a critical element of that choice."

Without rate review, the information available to consumers about rate increases varies significantly among states, which leaves some consumers without important protections. While some states already review proposed increases in health insurance rates and prevent those increases if they are excessive, other states lack the legal authority or resources to effectively review rates. New authority to review rates under the Affordable Care Act will ensure that large rate increases will be thoroughly reviewed in every state across the country.

According to the rate review rule released by HHS today, in 2011, all insurers seeking rate increases of 10 percent or more in the individual and small group market would be required to publicly disclose the proposed increases and the justification for them.

Such increases are not presumed unreasonable, but will be analyzed to determine whether they are unreasonable. After 2011, a state-specific threshold will be set for disclosure of rate increases, using data and trends that better reflect cost trends particular to that state.

Under the proposed regulation, states with effective rate review systems would conduct the reviews. If a state lacks the resources or authority to do thorough actuarial reviews, HHS would conduct them. Meanwhile, HHS will continue to make resources available to states to strengthen their rate review processes. Whether performed by states or HHS, information about the outcome of all reviews for increases above 10 percent, along with justification provided by insurance companies for those increases determined to be unreasonable, will be posted on the HHS website. The insurance plan will also have to make its justification for a rate increase available on its own website.

Rate review works in conjunction with a [\\$250 million grant program](#), also created by the Affordable Care Act, which empowers states to crack down on unjustified rate hikes. The full text of the HHS rule is available [here](#), and a fact sheet with further information is available [here](#).