

## News Release

### Consumers Union - Nonprofit Publisher of Consumer Reports

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### HHS Proposes New Rules on Health Insurance Rate Increases

WASHINGTON, D.C. – The Department of Health and Human Services (HHS) proposed new federal rules today to help define what constitutes an unreasonable health insurance rate increase under the new health reform law. Insurers seeking rate increases exceeding 10 percent over a 12-month period would be subject to closer scrutiny by state and federal regulators as well as stricter public disclosure requirements.

The proposed rules would establish an important new baseline for determining whether rate increases are excessive, according to Consumers Union, the nonprofit publisher of *Consumer Reports*. The proposed rules were introduced at the same time that Consumers Union is pushing for more transparency and stronger oversight at the state level to keep rising insurance costs in check.

“Consumers across the country have struggled to keep up with health insurance rate increases that have piled up year after year—especially for those who work for small businesses or have to buy their own coverage” said DeAnn Friedholm, the director of Consumers Union’s health reform campaign. “Until now, states have been responsible for overseeing health insurance rate increases, but many states don’t go far enough to protect consumers from unjustified rates. Under these proposed rules, insurance companies will have to explain why they are seeking a large rate hike. This should be a help for consumers in two ways. First, it provides a strong incentive for insurers to do a thorough review of their justifications before asking for big rate increases. And second, it will help consumers better understand why their rates are going up and they can decide to look for better plans.”

Under the new federal proposal, rate increases higher than 10 percent would be reviewed by states with rate review procedures meeting certain standards and by HHS for states that do not have such standards. Insurers would have to submit a “justification” for an increase of more than 10 percent to HHS and state regulators prior to implementing the rate hike. HHS will post such justifications on its website. Insurers would also be required to post a justification on their websites for rate hikes that are determined to be unreasonable. The proposed rule applies to policies sold in the individual and small group markets.

### States Can Do More

While the power to deny or modify each proposed rate increase remains with the states, the authority and ability of states to review and challenge proposed rate increases varies across the country. Some state regulators closely examine proposed rate increases and insurers justifications, but other states have little capability to do so. In most states, consumers do not receive adequate information about rate increases and are not able to participate in the review process through hearings or other public forums. Forty-five states have received federal grant funds to improve their rate review process.

Consumers Union has developed a state [model rate review law](#) for individual market plans to ensure greater oversight, transparency and insurer accountability. The model bill includes a number of reforms to protect consumers, including:

- Prior approval of rate hikes before they go into effect
- Notice to the public of proposed rate hikes with public comment period

- Hearings for rate hikes greater than 10% in the individual market
- Consumer and consumer representative participation in hearings
- Public disclosure of complete rate filings with readable summaries of the justification for rate hikes
- Standard rate filing format, documentation
- Detailed justification for all rate increases, including data on how much medical costs are rising
- Approval of rate hike must take into account company profits, existing surplus, rate increase history and impact on policyholders
- Notice to policyholders and the public of approved rate hikes at least 60 days before the effective date

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