

## News Release

FOR IMMEDIATE RELEASE

May 19, 2011

Contact: HHS Press Office

(202) 690-6343

### **Affordable Care Act helps fight unreasonable health insurance premium increases** ***New rules bring transparency, lower costs to consumers by requiring review of large insurance rate hikes***

Today, The Department of Health and Human Services (HHS) issued a final regulation to ensure that large health insurance premium increases will be thoroughly reviewed, and consumers will have access to clear information about those increases. Combined with other important protections from the Affordable Care Act, these new rules will help lower insurance costs by moderating premium hikes and provide consumers with greater value for their premium dollar. In 2011, this will mean rate increases of 10-percent or more must be reviewed by state or federal officials.

“ Effective rate review works – it does so by protecting consumers from unreasonable rate increases and bringing needed transparency to the marketplace,” said HHS Secretary Kathleen Sebelius. “ During the past year we have worked closely with states to strengthen their ability to review, revise or reject unreasonable rate hikes. This final rule helps build on that partnership to protect consumers.”

Starting September 1, 2011, the rule requires independent experts to scrutinize any proposed increase of 10-percent for most individual and small group health insurance plans. States will have the primary responsibility for reviewing rate increases. While most states will take on this responsibility, HHS will serve in a backup role in states that don't have the resources or authority to review rates. HHS has awarded \$44 million in Affordable Care Act grants to states to help strengthen their oversight capabilities. An additional \$200 million will continue to be available to states under the Act.

Starting September 2012, the 10-percent threshold will be replaced by state-specific thresholds that reflect the insurance and health care cost trends in each state. The final rule clarifies that HHS will work with states in developing these thresholds.

Publication of the final rule comes as health insurance companies have reported some of their highest profits in years. One cause for these profits is that actual medical costs are growing more slowly than what insurance companies projected when they set their 2011 rates last year. However, many of the rates consumers and small employers pay today don't reflect these lower costs.

The rule requires insurance companies to provide consumers with easy to understand information about the reasons for unreasonable rate increases and post the justification for those hikes on their website as well as on the HHS Affordable Care Act website, [www.healthcare.gov](http://www.healthcare.gov).

“ Strong and transparent rate review processes are necessary to help bring down costs for consumers,” said Steve Larsen, director of the Center for Consumer Information and Insurance Oversight. “ Rate review will ensure that increases are based on reasonable estimates and real-time data on medical cost trends and health care utilization.”

The regulation issued today finalizes proposed rules issued in December 2010. The final rule has several additions to the proposed rule, including a requirement that states provide an opportunity for public input in the evaluation of rate increases subject to review. This will strengthen the consumer transparency aspects of the new rule. HHS is also requesting comment from the public on applying the rule to individual and small group coverage sold through associations, which is sometimes exempt from state oversight.

For more information about recent trends in health insurance rates and the final rule, visit: <http://www.HealthCare.gov/news/factsheets/ratereview05192011a.html>.

###

---

Note: All HHS press releases, fact sheets and other press materials are available at <http://www.hhs.gov/news>.

Last revised: May 19, 2011