

PHOENIX Business Journal

MARCH 9, 2012

MY VIEW

Insurance Department should have rate oversight

Small Arizona businesses recently received a 50 percent rate increase pending their 2012 health insurance renewals.

Since 2010, health insurers in Arizona have been under increasing scrutiny as to such rate increases; however, no rate filings reportedly have been rejected, withdrawn or trimmed.

The Affordable Care Act defines a premium increase of more than 10 percent to be "unreasonable."

For too long, insurance companies have had little oversight when it came to increased health insurance premiums, transparency or public accountability.

According to the federal government website www.healthcare.gov, which monitors state rate-review processes, there have been 33 filings with the Arizona Department of Insurance, and all have been allowed.

But, as health insurers prepare for further rate reviews and others rail against "invasive government programs," it's interesting to note that none of the underlying costs that may have contributed to the rate increase are considered.

Nor are other factors, such as patients who may have gotten sicker and required more services, or the cost of covering all preventive services.

To get a better perspective, let's look at what it takes to create a rate in the first place.

Regardless of the size of the group to be considered for coverage, health insurers use any known health



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status and, if available, claims experience, age, gender, group size, industry, occupations, geographic location, family composition and desired benefit package.

Once a group is insured and time has elapsed, the health of any group generally deteriorates over time, thus leading to more claims.

Some insurers pool their policyholders, or groups of policyholders, into classes and blocks of business in an attempt to spread the risks. These "rating blocks" also deteriorate over time because of age and resulting claims.

Regardless of the underlying resources for rating group health policies and managing risks, insurers are going to be held more accountable for their renewal premium rating reactions.

Unfortunately for consumer groups, even the U.S. Department of Health and Human Services, which can bypass state insurance departments and go directly to the affected insurers to collect the data, lacks the authority to order an insurer to roll back rates. HHS can do nothing more than draw attention to rate hikes it deems excessive.

Perhaps, instead of passing one more vanity license plate, our Legislature should consider giving the Arizona Department of Insurance definitive rate-review oversight authority.

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