

**New York State
Cycle I - Second Quarterly Report
Health Insurance Rate Review Grant
Narrative Report**

Submission Date: April 29, 2011

State: New York

Project Title: Health Insurance Rate Review Program

Project Quarter Reporting Period: Quarter 2 (01/01/2011-3/31/2011)

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PART I: NARRATIVE REPORT

Introduction:

Provide a brief overview of the project describing the proposed rate review enhancements and clearly articulating the goals, measurable objectives, and milestones for each proposed enhancement. Provide updates to the original grant proposal where necessary.

As set forth in its application for Cycle I funding from the Health Insurance Premium Review Grant, the New York State Insurance Department (NYSID) will enhance its current rate review process to effectively implement both the Patient Protection and Affordable Care Act (ACA) and New York's recently enacted prior approval law. Specifically, NYSID will focus on the following areas:

Goal 1: Improve Rate Filing Requirements/ Rate Review Function.

Activities:

1. Standardize and streamline rate applications / filings and, to the extent possible, integrate information required by the Department with the reporting requirements of the ACA;
2. Develop specifications for more detailed market segment reporting of financial data from the NY supplements and implement associated review procedures for insurers and HMOs;
3. Contract with the NAIC to enhance the SERFF to address data collection and reporting requirements as defined in the grant announcement.

Goal 2: Enhance IT Capacity

Activities

1. Modify and expand NYSID's data management and internal database to capture this newly generated data and increase reporting functionality;
2. Increase NYSID's data storage capability to allow capture, storage, and manipulation of data as needed to meet mandated requirements;
3. Expand NYSID's IT capacity to analyze financial data reported by issuers including data mining of financial data by extracting previously submitted data from existing data sources;

4. Create a web based platform that would allow issuers to efficiently provide data directly to NYSID;

Goal 3: Increase Public Access

Activities.

1. Develop a web based FOIL application.
2. Upgrade website to provide plain language information about rate filings to consumers in a user-friendly format;
3. Work with industry and consumer groups to reach consensus as to what information in rate applications is subject to disclosure under FOIL.

Goal 4: Partner with FAIR Health, Inc., which manages a database of healthcare claims data.

Goal 5: Increase Staffing. Hire two actuaries and one examiner to allow the Department to conduct more thorough reviews of all issuers' "unreasonable" rate increase applications.

Program Implementation Status: *As relevant to your project, include a discussion and update on progress towards:*

1. *Accomplishments to Date: implementation milestones, early outcomes, include progress toward stated goals, objectives and milestones;*
2. *Challenges and Responses: provide a detailed description of any encountered challenges in implementing your program, the response and the outcome; and*
3. *Describe any required variations from the original timeline.*

Goal 1: Improve Rate Filing Requirements

1. Standardize and streamline rate applications / filings.

Q1: Initial instructions and checklists for issuers' rate increase applications were posted on our website by August 1, 2010. In December 2010, NYSID began developing a more expansive standard checklist, exhibits and instructions. The new checklist, exhibits and instructions will be shared with industry representatives for comment before being finalized. We expect this to be posted on our website by March 31, 2011. The Department will be looking into developing certain additional exhibits as a way of better organizing the material that would be normally be included in actuarial memorandums.

Q2: NYSID has completed six standard exhibits, met with industry representatives and included their comments in the final drafts. In March 2011, NYSID asked insurers to

include the exhibits in their rate applications. We are in the process of finalizing the checklist and instructions, as well as five other exhibits that will request data from insurers on all of the products they are offering to give our actuaries a complete view of an insurer's product array in particular markets.

2. Develop specifications for financial data from the NY supplements.

Q1: NYSID is upgrading annual and quarterly data to be collected beyond what is in the existing annual and quarterly financial statements from not-for-profit accident and health companies, which will provide historical information on claim costs and administrative expenses. Such information is already submitted in HMO's NY specific supplemental financial statements. NYSID is working to put the information in an electronic form to allow company specific and industry comparative reports to be run. Currently the data is extracted and transferred to an Excel worksheet for each company. NYSID will use this information to obtain historical claims trends by company and in aggregate by market segment, and to check information submitted in issuers' rate applications.

Q2: NYSID continues to upgrade financial reporting so that the same data, in a consistent format, is collected for HMOs, not-for-profit insurers and for-profit insurers (currently HMO reporting is the most thorough). We have begun to develop the electronic platform that will allow the data to be used for comparative reports, etc.

3. Contract with the NAIC to enhance the SERFF.

Q1: As of 12/31/10, the NAIC was working on the SERFF enhancements to capture information needed to prepare Tables A-E (submitted with this 1Q Report) and populate the data dictionary.

Q2: All SERFF fields have been added and are available to insurers. The data dictionary fields were added in late January but insurers could not submit updates to the data dictionary fields until the March 27 release of SERFF to supply missing rate data or correct inaccurate data. Therefore, some discrepancies remain in the data submitted for the second quarter. Since some insurers appear confused regarding how rate data should be reported, NYSID is working with HHS to confirm their expectations and continues to work with insurers to communicate those expectations in an effort to ensure data is input correctly. In February 2011 NYSID submitted its 1st quarter SERFF report to HHS, showing 70 rate filings that requested a premium increase. Our 2d quarter report shows the receipt of 30 rate filings that requested a premium increase.

4. Purchase actuarial manuals to support actuaries' rate review.

Q1: NYSID will purchase Milliman on-line actuarial manuals that provide detailed actuarial information. This will allow our actuaries another tool to review issuers' rate submissions.

Q2: NYSID is working on licensing agreement to acquire access to data.

Goal 2: Enhance IT Capacity

1. Modify and expand NYSID's data management and internal database.

Q1: NYSID is enhancing its document management system to include data fields added to SERFF; to serve as a vehicle to save each rating manual; and to allow the NYC and Albany offices to share data and operate off of the same platform.

Q2: IT changes have been made and appropriate staff have access to shared data. The Department is upgrading and conducting training on its workflow software (Docupace) to enhance coordination between review of new and amended policy forms and rates, and review of rate-only adjustment applications in order to improve analysis of the impact on rates and to provide more accurate consumer information about true impact of both approved rate adjustments and approved policy form adjustments that have an impact on rates.

2. Increase NYSID's data storage capability.

Q1: NYSID purchased the hardware needed to increase storage and backup /recovery capabilities.

Q2: Completed.

3. Expand NYSID's IT capacity to provide the ability to search NY Supplement data through Access database.

Q1: Working to identify IT needs

Q2: Continuing to identify IT needs, updating forms to capture data.

4. Create a web base platform to issuers to efficiently provide data directly to NYSID.

Q1: In development stage.

Q2: Functionally complete because upgraded SERFF data and reporting.

Goal 3: Increase Public Access

1. Develop a web based FOIL application. The current application requires users to come to the Albany, NY office to obtain information they need.

Q1: Developed application

Q2: Continued development and testing.

2. Upgrade website.

Q1: NYSID has begun to upgrade its website to make more information available to the public. As information becomes standardized (see Goal #1, above), it will be uploaded to the website. We continue to work to make information understandable to the layperson.

Q2: NYSID continues to make upgrades weekly. FOIL issues continue to be a challenge to providing consumers with meaningful, policy-specific information regarding rate increases. Insurers are comfortable publicly disclosing high level, aggregate information, but claim trade secret/competitive harm exemption from public disclosure. We continue to work with stakeholders to identify information that can be publicly disclosed and that will be meaningful to consumers.

3. FOIL.

Q1: NYSID has begun working with industry and consumer groups to reach consensus as to what information in rate applications is subject to disclosure under FOIL.

Q2: Work continues.

Goal 4: Partner with FAIR Health, Inc.

Q1: In November 2010, FAIR Health acquired a multi-payor database of healthcare claims from Ingenix, Inc. FAIR Health rolled out its first benchmark products dental and outpatient claims in January 2011. Its main benchmark products will be rolled out in May 2011. NYSID has begun discussions with FAIR Health to determine what data FAIR Health can make available and how NYSID can use that data in its rate review process. NYSID intends to use FAIR Health's data to measure changes in average provider charge levels and changes in distribution of services, and to test whether insurers' actuarial assumptions and projections are supported and justified.

Q2: Identified data modules that NYSID will be able to use. Began drafting contract between NYSID and FAIR Health to provide the data and necessary training.

Goal 5: Increase Staffing. Hire two actuaries and one examiner.

Q1: NYSID has been soliciting applications and conducting interviews for actuarial staff to assist in the rate review process. Hiring actuarial has traditionally been challenging due to the relatively low salary levels paid by the State. In addition, we are working through our Division of Budget process to differentiate and obtain approval for these grant funded positions.

Q2: Received waiver from Division of Budget to allow hiring process to proceed. Positions are posted.

Significant Activities: Undertaken and Planned

Discuss activities that occurred during the quarter, or anticipated to occur in the near future, that affect the progression of comprehensive rate review for your state. For States proposing legislative enhancements to expand the scope of rate review activities, please provide a detailed status update on the progress of all proposed grant activities undertaken in support of new legislation.

NYSID is enhancing its rate review process in three main areas: IT, streamlining/standardization, and public access.

IT Enhancements:

Q1: As described above, NYSID has begun IT enhancements in a number of areas. We are working towards increasing our IT capacity, increasing inter-office communication and resources (NYC and Albany offices), and leveraging SERFF and other databases to increase our analytical and reporting capabilities. NYSID will also be looking to incorporate and leverage reporting requirements under HHS's proposed rule on Rate Increase Disclosure and Review published in December 2010.

Q2: NYSID has put many of the basic IT components in place and continues to work towards developing the capacity and training to maximize use of those resources.

Streamlining/Standardization.

Q1: NYSID will be using the IT enhancements to increase standardization of rate applications and rate reporting to make the process more streamlined for insurers and more understandable for consumers. NYSID has been meeting with industry and consumer groups to standardize rate applications, notices to consumers and the data underlying rate increases.

Q2: NYSID has developed a number of standardized reporting mechanisms, including six standard exhibits to rate applications. We continue to meet with stakeholders representatives.

Public Access.

Q1: The IT enhancements and standardized information will also help NYSID increase public disclosure of rates, rate increase requests, and data and justifications underlying insurers' rate increase request. NYSID's public access activities and goals are described below under "Public Access Activities."

Q2: NYSID continues to develop and improve enhancements.

Operational/Policy Developments/Issues

Identify all significant program developments/issues/problems that have occurred in the current quarter, including legislative activity and proposed ways to rectify the barriers.

Q1: NYSID has had difficulty finding and hiring qualified actuaries in large part because the State salary levels are below those in the private sector. Also, because New York has a hiring freeze, getting hiring waivers from administration adds a administrative layer to the hiring process.

Q2: NYSID received waivers from hiring freeze, but it is still challenging to find qualified candidates.

Q1: Because the information to complete most of the SERFF data fields is only available from the industry filers, the State was challenged to receive full information in a timely manner. This appears to be due to a lack of communication and training of the appropriate industry personnel. Most industry filers were unprepared for the new data requirements, were unaware of the definitions of the data fields, or did not fully understand how to process any necessary changes within SERFF.

Since the initial collection of data via SERFF was not available until mid-December, the majority of rate filings received during the first reporting period did not contain the rate data fields desired for reporting.

Q2: Many of these problems have been worked out, however training for insurers filling out data fields would be beneficial

Q1: FAIR Health, Inc.'s contract has been delayed while they develop their data capabilities and roll out their products. FAIR Health rolled out its first phase of work in January 2011.

Q2: The bulk of the data that will be used by NYSID (medical/surgical data) will be available in May 2011.

Public Access Activities

Summarize activities and/or promising practices undertaken during the previous quarter working towards increased public access to rate review information for your state. Identify all barriers associated with increasing public access to rates and rate filing information and proposed ways to rectify the barriers.

Q1: NYSID's goal is to publicly release as much information as possible, while respecting insurers' proprietary rights over such information. Under New York's new prior approval law, insurers must provide a notice of the proposed rate increase to consumers on or before the date the rate application is submitted to NYSID. The purpose of the notice is to inform policyholders of the proposed rate increase and allow them the opportunity to provide the insurer and NYSID with comments on the proposed increase. To have a meaningful opportunity to provide comments and understand proposed rate increases, policyholders need access to the data and justifications underlying the proposed rates.

One barrier to public access to rate information is that insurers are claiming broad exemption from FOIL under the trade secret exemption, which prohibits disclosure if it would "cause substantial injury to the competitive position of the subject enterprise." NYSID has been working with industry and consumer groups to identify the data and information that can be released to the public.

NYSID will be working to incorporate HHS's proposed rule on Rate Increase Disclosure and

Review, in particular web-based publication of justification information.

Q2: NYSID continues to work on this issue. Insurers are very reluctant to agree disclose anything other than high level, aggregate information regarding rate increases, claiming it will cause them competitive harm.

Collaborative efforts

Describe any collaborative efforts in place that that are advancing the objectives of the Rate Review Program in your state.

NYSID has been meeting with industry representatives to standardize filings and rate applications to streamline the process. NYSID has also met with consumer and industry groups to increase public access to rate information, as described above.

Lessons Learned

Provide additional information on lessons learned and any initial promising practices.

Q1: Upon initial implementation, our rate reviewers were charged with identifying which files were eligible for HHS reporting and assuring that all necessary rate fields were submitted by the industry. It soon became apparent that this process delayed the collection of data because it was occurring only when the reviewer actually began their review. Therefore, we quickly changed our internal process so our intake personnel immediately upon receipt identified the files that are eligible for HHS reporting and requested any missing data.

Q2: On standardizing rate application data requirements proposed by NYSID, insurers have expressed reluctance to submit company-wide data (e.g., on products other than those for which the application is submitted). Insurers consider this type of information when developing their rates, but claim it is not necessary to NYSID review and that it is overly burdensome to produce such information. This information would be valuable to our actuaries since it is considered by insurers when developing rates. NYSID continues to develop such information.

Updated Budget

Provide a detailed account of expenditures to date and describe whether the current allocation of funds follows the progression of the detailed budget provided in your original application. Also provide any unforeseen expenses and a brief description of the event that led to its occurrence. Attach an updated detailed budget with the State's quarterly report submission.

See attached budget

Updated Work Plan and Timeline

Provide an updated work plan and timeline to reflect the events of the previous quarter. Highlight any additional time frames or items that were not included on the State's original submission as well as completion of milestones.

See attached work plan.

Enclosures/Attachments

Identify by title any attachments along with a brief description of what information the document contains.

**New York State
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Workplan**

	Key Personnel	Time Period	Milestones	Status
Goal #1: Improve Rate Filing Requirements				
1. Standardize and streamline rate application forms and, to the extent possible, integrate them with the reporting requirements of the ACA	Actuarial Staff, Examiners	8/10 - 7/11	Develop standard exhibits and checklist for rate application	Drafted, posted Exhibits 1-6. Finalizing draft checklist and instructions. Meeting with industry and consumer groups to develop other exhibits.
2. Develop specifications for more detailed market segment reporting of financial data from the NY supplements and implement associated review procedures for insurers and HMOs	Actuarial Staff and Examiners	10/10 - 7/11	update NFP filings to collect more data, put data into electronic form	Developing new forms for NFP and for-profit insurers. Working Systems Bureau to develop electronic versions.
3. Contract with the NAIC to enhance the SERFF to address data collection and reporting requirements as defined in the grant announcement	Contracted Staff	9/10 - 4/11	Work w/ NAIC to develop tables A-E and data dictionary; work with industry to ensure proper filing	Table A-E up and running; Issuing reports to HHS; Working out specifications on data dictionary
Goal #2: Enhance IT Activities				
1. Modify and expand NYSID's data management and internal database to permit the capture and storage of data obtained through SERFF, as defined in GOAL 1 above, in order to increase reporting functionality	NAIC, NYSID staff	10/10 - 6/11	Update NYSID systems to capture new SERFF data; coordinate review of new forms and rates in Albany and rate adjustment application review in NYC	Discussing project plan and needs w/ contractors
2. Increase NYSID's data storage capability to allow capture, storage, and manipulation of data as needed to meet mandated requirements	NYSID Systems Bur.	10/10 - 3/11	Make purchases	Complete.
3. Expand NYSID's IT capacity to analyze financial data reported by issuers including data mining of financial data by extracting previously submitted data from existing data sources	NYSID Systems Bur.; actuarial and examiner staff	9/10 - 6/11	Identify IT needs; update reporting forms	Updating reporting forms
4. Create a web base platform that would allow issuers to efficiently provide data directly to NYSID	NYSID Systems Bur.; actuarial and examiner staff	9/10 - 5/11	Identify IT needs;	Functionally complete due to upgrades in SERFF.
Goal #3: Increase Public Access				
1. Develop a web based FOIL application.	NYSID examiners	10/10 - 4/11	Develop web application; test; run	Continue development and testing
2. Upgrade website to provide plain language information about rate filings to consumers in a user-friendly format	NYSID examiners	10/10 - 4/11	Develop standard plain language documents; meet w/ industry and consumers to finalize; upgrade website	Continual improvements to website. Drafting standard documents; meeting with industry and consumer groups
3. Work with industry and consumer groups to reach consensus as to what information in rate applications is subject to disclosure under FOIL.	NYSID examiners, legal staff	10/10 - 4/11	Legal research; meet w/ industry and consumer groups; develop standard forms to submission of date	Doing legal research; meeting w/ industry and consumer groups.
Goal #4: Partner with FAIR Health, Inc., which manages a database of healthcare claims data				
	NYSID staff; FAIR Health staff	10/10 - 8/11	Identify FH capabilities and how NYSID can use data; develop contract; FH run reports	Developing specifications for contract.
Goal #5: Hire two actuaries and one examiner to conduct more thorough reviews of issuers' rate applications				
	NYSID actuarial and examiner staff	8/10 - 5/11	Recruitment; hiring	Received DOB waiver; jobs posted

**New York State
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Budget**

	<u>Amounts Budgeted</u>				<u>Amount Expended</u>
1. Hiring	Annual Salary	Annual Fringe/IDC	Actual Overhead	Total	
Principal Actuary, SG-28 (1)	96,008	49,482	26,810	172,300	0
Principal Actuary, SG-28 (2)	96,008	49,482	26,810	172,300	0
Senr Insur Exmr, SG-23	75,165	38,740	17,560	131,465	0
Total Budget:	267,180	137,705	71,180	476,065	
2. IT Activities					
Hardware				50,000	81,851.40
Fair Health				49,500	0
NAIC Assessment				18,808	18,808
External Contractor(s)				405,627	11,000
Total Budget:				523935	
Grand Total:				\$1,000,000	111,659