Submission Date: July 29, 2011

**State:** South Carolina

**Project Title:** South Carolina Rate Review/ IT Infrastructure Grant

Project Quarter Reporting Period: Quarter 3 (04/01/2011-06/30/2011)

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#### **PART I: NARRATIVE REPORT**

#### **Introduction:**

The Patient Protection and Affordable Care Act (PPACA) requires the states and the Secretary of Health and Human Services to establish a process for the annual review of unreasonable increases in health insurance rates beginning in the 2010 plan year. Only individual health insurance rates and some group health insurance rates are currently subject to prior approval in South Carolina. South Carolina law does not require most group health insurance rates to be reviewed prior to their use. Thus, this grant provides South Carolina a unique opportunity to assess and enhance its current rate review process.

# The goals of this project are:

- 1) to establish a process for the comprehensive annual review of health insurance premiums to protect consumers from unreasonable, unjustified and/or excessive rate increases;
- 2) to analyze the potential for abusive rating practices in different segments of the health insurance market;
- 3) to enhance our systems to enable us to capture required data, aggregate data, and report critical information about health insurance rate filings;
- 4) to automate our process for reviewing rate filings; and
- 5) to review trends and rating practices in the individual as well as the small and large group health insurance market to help develop policy initiatives and make recommendations aimed at ensuring health insurance rates charged within the state are fair and reasonable.

# **Program Implementation Status:**

## **General Status:**

Work continues as planned on the rate review grant. In quarter 3, the South Carolina (SC) Department of Insurance (DOI) API for SERFF integration went live. We also selected a consulting actuarial firm (Lewis & Ellis of Dallas, Texas) to conduct the work as specified in the grant proposal. A survey of carriers was undertaken in efforts to estimate the workload that the small group review requirements will bring beginning in September 2011. Finally, we kicked off the collaboration with Lewis & Ellis via teleconference meetings and planned in-person meetings in both Charleston and Columbia.

#### IT/Infrastructure Enhancement Status:

In this third quarter of grant work, the IRM unit has completed the IT infrastructure enhancements (Phases I and II) as specified in the grant application. The SCDOI API-SERFF integrated system was deployed on April 29, 2011 and is functioning as designed.

# 1. Accomplishments to Date:

For the SERFF API – DOI system integration, the IRM unit has completed the following phases of the project:

- Requirement analysis
- Functional specification
- System architecture/high level design

- Detailed design
- Framework development
- System Development
- System Testing
- Production Dry Run
- End user testing
- Adjustments to the system
- Deployment

For the internal website (funded by DOI), the IRM has completed the following phases of the project:

- Requirements analysis
- Functional specification
- System architecture/high level design
- Detailed design
- Framework development
- Search (filings and rejects) and reporting capability

#### 2. Challenges and Responses:

Prior to the third quarter testing by end users necessitated a number of change requests to the programmer. These requests reflected both changes in practice at DOI and refinement of the tool. The business unit and IRM group worked to accommodate these requests. No new challenges were encountered this quarter in this objective.

#### 3. Variations from the Original Timeline:

Due to the change requests for the web tool, the date of deployment was delayed to April 29, 2011.

#### **Actuarial Review Status**

## 1. Accomplishments to Date:

In the third quarter, we evaluated proposals from consulting actuarial firms to conduct the work as specified in SC's grant application. We received 7 proposals and reviewed all with great scrutiny. Following negotiations, the firm of Lewis & Ellis out of Dallas, Texas was ultimately selected.

# 2. Challenges and Responses:

Prior to the third quarter, there was considerable time spent in the development of the RFP. In the third quarter, the review process and required much follow-up with the applicants. The program manager addressed questions from applicants as necessary for clarification.

# 3. Variations from the Original Timeline:

We have discussed with Lewis & Ellis the possibility that the consultant's work may extend past the September 30, 2011 date, dependent largely upon the timing of replies from insurance carriers to a comprehensive data call. The program manager will follow up with HHS regarding

a no-cost extension.

# Significant Activities: Undertaken and Planned

# Significant Activity #1: IT/Infrastructure Enhancement

#### **Undertaken activities**

The API-SERFF integration was deployed in the third quarter. Phases I and II are complete.

#### Planned activities

Phase III – As federal requirements of rate attributes/fields are defined, further automation of the rate review process, and public access to rate review information, will be programmed. The consulting actuary will assist in this effort as well.

# **Significant Activity #2: Actuarial Review**

## **Undertaken activities**

SCDOI has selected the firm of Lewis & Ellis to conduct the consulting actuarial services as specified in our grant application.

#### **Planned activities**

Work began directly upon execution of the contract with Lewis & Ellis. The program manager and the consultant planned the remainder of the grant period and scheduled an in-person meeting in SC in early July 2011.

## **Operational/Policy Developments/Issues**

Policy Development:

In June 2011, SCDOI responded to questions regarding our status as an effective rate review program as designated by CCIIO. We issued a bulletin in June that specified that SCDOI will require necessary data from the small group market carriers. The final designation that SCDOI administers an effective rate review program was rendered on July 1, 2011.

## **Public Access Activities**

While enhancements to our website are planned for future quarters, the recommendations fall within the scope of the work to be undertaken by Lewis & Ellis.

#### **Collaborative efforts**

The program manager worked with the consultant to kick off the project, and initiated dialogue with carriers to estimate increased workload on September 1, 2011. Also, the program manager and the principal investigator worked closely with CCIIO to clarify that the SCDOI has an effective rate review program in place. Finally the department explored cycle II funding for the rate review program.

# **Lessons Learned**

For the IT enhancements component of the grant work, the plan should have included dedicated time to accommodate change requests from the business unit (end users) for a more realistic schedule. Work continues as planned with Lewis & Ellis.

# **Updated Budget**

SCDOI submitted the attached Federal Report Form 425 for the second quarter of the grant period. As of 06/30/2010, the total grant expenditures were \$177,056.45 as enumerated by category below:

<b>Expenditure Category</b>	Cumulative Expenditures as of 6/30/2011
Personnel	\$59,167.16
Indirect Costs	\$10,908.37
Contractual Services	\$98,087.43
Data Processing Equipment	\$6,593.36
Non-Capital Equipment	\$2,300.13
<b>Total Expenditures</b>	\$177,056.45

Grant funds have been spent as proposed, with exceptions as given in the first quarterly report (that is, accounting for fringe benefits and indirect costs).

#### **Updated Work Plan and Timeline**

The following tasks were undertaken according to the grant from 1/1/2011-6/30/2011:

- 1. The SERFF API interface was completed.
- 2. The web tool for access to the data collected by the SERFF API interface was deployed on April 29, 2011.
- 3. The RFP to select the consulting actuary as described in the grant proposal was delivered on March 18, 2011, with a return date of April 8, 2011.
- 4. The consulting actuary (Lewis & Ellis) was selected in June 2011, with work beginning immediately.
- 5. Lewis & Ellis will conduct required rate increase reviews for the small group market in SC in September 2011.

The program manager will follow up with CCIIO to finalize a no-cost extension to complete cycle I grant work.

## **Enclosures/Attachments: (1)**

Federal form 425 was submitted via HIOS for the rate review grant: Federal\_form\_425\_SCQ3.pdf

# PART II: HEALTH INSURANCE RATE DATA COLLECTION

Filing data was submitted via SERFF. Each filing was checked by the program manager and departmental actuary for appropriateness. There were some items that we want to make sure are complete going forward, such as the PPACA variable, at the time of the filing review so that the appropriate filings are included in this report.

The analyst who works primarily in SERFF for health insurance is Dr. Anamaria Burg (telephone: 1.803.737.6165, email: <a href="mailto:aburg@doi.sc.gov">aburg@doi.sc.gov</a>). She reviews the filings in compliance with departmental protocol, and works with the actuary to determine prior approval in the individual market. The new variables in SERFF have required a bit of a learning curve for both carriers in their filings and for us in our reviews. We have noticed that in previous quarters the PPACA variable was omitted or, more commonly, listed as not applicable or grandfathered. Going forward the actuary and analyst will ensure that this is complete and correct at the time of the review.