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Federal government assumes oversight of insurance rate increase review in Idaho

The federal government will assume the responsibility of reviewing increases of 10 percent or more in health insurance premiums proposed by private Idaho insurance companies starting later this fall.

The decision by federal officials may be the first effect of Gov. C.L. “Butch” Otter’s executive order signed earlier this year that prohibits the state from carrying out any component of the 2010 federal health care overhaul, the Idaho Statesman reported Tuesday.

Shad Priest, deputy director of the Idaho Department of Insurance, said the state’s reluctance to comply leaves it unable to meet the demands for the federal law’s requirements for states to provide watchdog oversight on health insurance rate hikes. Priest said Idaho also has a policy of not disclosing health insurance rates to the public, citing a state law making certain rate information proprietary. “It was not a surprise,” Priest said.

As a result, starting Sept. 1 a branch of the U.S. Department of Health and Human Services will become the lead reviewer of some proposed rate hikes for health insurance premiums. Proposed rate increases subject to review include those for calling for an increase of 10 percent or more for small groups or individuals. Under the new rules, private insurers must also disclose the increases and justify the need to raise premiums.

In future years, the threshold for flagging a rate for review will be set on a state-by-state basis, considering the insurance and health cost trends in each state. In Idaho, insurance premiums are not subject to state approval, but are disclosed to the state. The Department of Insurance monitors those premiums and can send increases to a consultant to determine whether they are excessive or discriminatory.

The cost of health insurance coverage nationally for a family of four rose 131 percent over the past 12 years, according to the federal Center for Consumer Information and Insurance Oversight.

“Many times, insurance companies have been able to raise rates without explaining their actions,” the center said in a fact sheet about the decision. “In most cases, consumers receive little or no information about proposed premium increases and aren’t told why health insurance companies want to raise rates.”

Like other states, Idaho secured a grant to help pay the cost of checking every double-digit rate increase. The health care law offered a total of \$250 million to states for the new rate reviews. Idaho got \$1 million last year to start reviewing large-group rates, automate some of the work and contract with actuaries for in-depth premium reviews.

But in March, Otter forbade all state agencies and employees from using federal money targeted to carry out the health reform law unless he granted a waiver.