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Rate review requirements will empower consumers, shine light on rate hikes

SB 718 sets clear expectation for explaining why increases are approved

SALEM – The Oregon Senate approved a bill this morning that will require health insurers to alert policy holders when rates increase under certain conditions. Senate Bill 718 will also require the Department of Consumer and Business Services (DCBS) to post online detailed explanations of their approval of rate hikes.

“The cost of health care is absolutely prohibitive for too many Oregonians and those costs don’t show any sign of falling in the near future,” said Senator Chip Shields (D-Portland), chair of the committee on General Government, Consumer and Small Business Protection. “Senate Bill 718 shines a light on the problem of spiraling health care costs and how these costs are approved. These issues are too important to Oregonians and small business to happen behind closed doors.”

DCBS has the authority to review rate increases on individual plans, health plans offered by employers with 50 or fewer employees, and portability coverage for some Oregonians when they leave a group plan. Dramatic rate increases over the last decade have called attention to the process and protocol for approving requests to increase rates.

Currently, policyholders do not receive any notification about pending rate increases and their right to comment on the rate change. SB 718 will require individual and small employer health benefit insurers to notify all affected policyholders, as well as people who request notification, when the insurer files for approval of a rate request that increases rates by at least seven percent and affects 1,000 or more enrollees. The bill also stipulates that the DCBS Director must consider certain criteria when considering an insurance company’s request for a rate increase in the small employer an individual markets. Those criteria include whether the filing is actuarially sound; whether it is reasonable and not excessive, inadequate or unfairly discriminatory; and whether it is based on reasonable administrative expenses.

“It is absolutely vital that consumers have the facts on what is happening with their health care premiums and that they are notified when their insurer requests permission to raise rates,” said Senate Majority Leader Diane Rosenbaum (D-Portland). “Health care costs can have a serious impact on a business owner’s bottom line or a family’s ability to balance their checkbook. Senate Democrats have continuously emphasized that we need to both expand access and lower cost. This bill provides one more tool to help us reach that goal.”

According to research from the Georgetown University Health Policy Institute, states that have an active, robust and publicly inclusive rate review process are generally better at getting lower premium increases for policy holders.

“Given the high cost of health care, we have an obligation to look out for ratepayers to make sure they have the information they need to make smart decisions,” said Senator Rod Monroe (D-Portland), who carried the bill on the floor. “Greater transparency on health care rates will help empower Oregonians.”

The 2010 federal health care reform bill includes provisions that direct the U.S. Department of Health & Human Services (HHS) to work with state insurance departments to conduct an annual review of unreasonable rate increases, and insurers must provide justification for such increases to HHS and to the public via their websites. DCBS was awarded a \$1 million grant to assist in this process.

“This is an important piece of the big picture when it comes to comprehensive health care reform for all Oregonians,” said Senator Laurie Monnes Anderson (D-Gresham). “Oregon is making significant progress and continues to set an example for the rest of the nation.”

Senate Bill 718 is the product of work done by the Reasonable Insurance Premium Coalition, a group of small business owners and lawyers familiar with the Public Utility Commission process. The bill now goes to the House for consideration.

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