TO: Alexandra Shafer, Asst. Director
(ADOI, Life & Health Division)

FROM: Kathy Zatari, Rate Review Grant Manager
(ADOI, Life & Health Division)

RE: Rate Review Grant Project: Transparency Objective
21 Dec 2010 Meeting Summary

Date: 30 Dec 2010

This memo sets forth topics discussed at the December 21, 2010 meeting convened by the Arizona Department of Insurance (ADOI), as part of its Rate Review Grant activities.

The Rate Review Grant requires ADOI to improve the transparency and effectiveness of rate review by, among other things, providing consumers with meaningful information about individual and small group health insurance rates. To this end, ADOI has put together an informal group of internal and external advisors from a variety of constituencies. So far, this "transparency team" includes two producers (agents), representatives of two insurers, the director of Arizona's SHIP program, a representative of St. Luke's Health Initiative (an Arizona non-profit organization whose work includes community health and health coverage issues) and staff from several ADOI divisions.

To obtain consumer comments, ADOI has scheduled three community meetings throughout the state in January 2011. In order to gain a better understanding of consumer concerns about rate review in Arizona in general, and to better prepare for our January 2011 community presentations in particular, ADOI hosted a December 21 transparency team meeting. The meeting agenda is attached.

Meeting Participants

- Susan Navran — Executive Vice President of Internal Operations, BCBS AZ
- Laura Meyer — Vice President and Deputy General Counsel, BCBS AZ
- Frank Partridge — Vice President, Health Net (Conference Call)
- Bruce Anderson — Chief Ethics Officer, Health Net (Conference Call)
- Brett Morris — President, Health Net AZ (Conference Call)
- Kristine Kassel — Insurance Producer and Owner, Benefits by Design
- Anne Marie Grande — Agency on Aging, Phoenix area
- Alexander Shafer — Asst. Director (Life& Health), ADOI
- Erin Klug — Public Information Officer, ADOI
- Mary Butterfield — Asst. Director (Consumer Affairs), ADOI
- Susie Lesmeister — Supervisor, (Consumer Affairs), ADOI
- Kathy Zatari — Rate Review Grant Manager, ADOI
- David Ramirez — Rate Review Analyst, ADOI
- Steven Noble — Rate Review Administrative Asst, ADOI

Not Attending

- June Shaffer — Insurance Producer and Owner, Arizona Lifelines
- Kim Van Pelt — Associate Director, St Luke's Health Initiatives

ADOI provided an overview of its Rate Review Grant Project, focusing on objectives and milestones for Goal 1[1] and describing the three community meetings to be held in January 2011. Ms. Kassel briefly summarized a SLHI meeting she attended on December 14, 2010, where Consumers Union presented a group of SLHI constituents with information about rate review in Arizona. ADOI provided all participants with a draft outline of its presentation for the January consumer meetings, asked for feedback on the outline, and opened up the meeting for brainstorming

The participants recognized the difficulty of providing plain language rate review information to consumers who often have no exposure to what industry and regulators think as basic concepts(such as individual vs. group insurance, how to find insurance and the enrollment process). Participants recommended that ADOI educate consumers about the health insurance market in Arizona with information about how premiums in other states and components of the Arizona Market, e.g., individual vs group insurance, commercial / full vs. self-insurance, government coverage, or no insurance. There was a recommendation that ADOI explain how to obtain existing rates information under Arizona's Public Records[2] law even if the information is not currently accessible on the ADOI'S website. The group generally agreed that ADOI should explain its limited authority to review rates, given a wide-spread, mistaken impression among consumers that ADOI has extensive authority to approve or deny health insurance rates fillings. The group recommended that ADOI provide an outline of PPACA and a PPACA implementation timeline

The group discussed the wide range of questions ADOI should expect at the anuary meetings, including topics not obviously related to the rate review program, or even health insurance. ADOI should be prepared to explain why the agency was not seeking new criteria or expanded authority for reviewing rates

ADOI emphasized that its primary goal for the January meetings is to learn what consumers most want to know in order to develop a few "key indicators" for its website and other communication avenues. ADOI said it will try to give providers enough background to help them shape comments but not overwhelm them or in effect tell them what ADOI thinks they want to know. ADOI wants to be realistic about its goals for this program without emphasizing the things it cannot do. In addition, ADOI does not want to be seen as an advocate for any constituency in the health care reform debate.

There was agreement that consumers want information about the most important factors that insurers use to set rates. There was discussion of the pros and cons of what factors to cover and whether to define industry terminology (such as 'trend", explaining "open" versus "closed" blocks of business; "medical loss ratios" versus "anticipated loss ratios"; rating bands; demographics and setting reserves,) and a general agreement that explaining these concepts goes beyond the parameters of our community meetings, or at least these initial sessions. There was also a consensus that consumers want information about how rate increases directly affect them.

At the end of the December 21 meeting, ADOI staff invited participants to continue to provide ADOI with there insight and comments on its grant related activities.

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[1] See ADOI Rate Review Grant Proposal submitted on July 7, 2010, P.25
[2] ARS § 39-101 et seq.