



## **Health Insurance Rate Increase Requests**

### *Outline of the Review Process*

The intent of this document is to help explain the typical process the North Dakota Insurance Department uses to review rate increase requests from health insurance companies. With rate increase requests, the Department strives to balance the need for insurance to be affordable with the ability of the company to continue to pay claims.

A company requesting a rate increase must provide information satisfactory to the Department to justify the level of the requested increase. If the Department has questions about the material provided, or additional information is needed, the company will be asked to provide it. As information is received from the company, the Department will review factors that affect the overall increase in cost to provide health care services, including:

- Price inflation – including increases in provider reimbursement (payments to medical facilities and doctors)
- Increased use of services – may be due to aging, product promotion, improved services, etc.
- Cost shifting (the costs associated with serving people who don't have insurance)
- Leveraging effect of fixed deductibles and co-payments – while health care costs may increase from one policy year to the next, deductibles and co-payments usually remain the same, resulting in the amount paid by the insurance company increasing
- Technology improvements
- Government mandates, benefits and other legislative changes
- Increased costs due to federal health care reform

The Department also reviews historical (actual) experience to date, including previous rate increase request amounts, frequency and results.

The Commissioner has the ability to approve the requested amount, offer a lower increase or deny the request. The entire process of reviewing, analyzing and making a decision on rate increase requests typically takes two months.

The company then has legal rights available to it if it does not agree with the decision, starting with an administrative hearing before an administrative law judge. If the company is unsatisfied with that result, it can then appeal the matter to the appropriate district court and ultimately, the North Dakota Supreme Court.

In addition to a general rate increase that is approved by the Department, consumers may also receive an age-related increase, which is commonly referred to as an "age band." Rates related to age are used by insurance companies to account for the fact that as people age, they typically use more medical services, supplies and pharmaceuticals. These age-related rates may be combined into rate bands of one or more years. For example, with regard to a five-year age band, when policyholders hit five-year marks, they will experience an additional increase over and above the rate approved by the Department. The advantage to consumers when using this type of pricing is that no additional adjustment is made to the approved rate within the band. The disadvantage, of course, is that when the next age band is reached, the increase is larger.

While medical providers and insurance companies need to cover their costs and want to be able to charge prices that will allow them to do so, policyholders are not always able to increase their income to cover the increased cost of health insurance. As the regulating body for North Dakota and an advocate for policyholders, the Department will approve only those increases that are justified.