

News Release

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\$46 Million in Grants to Help States Crack Down on Unreasonable Health Insurance Premium Hikes

45 States and the District of Columbia to Receive \$1 Million Each to Make Health Insurance Markets More Consumer-Friendly and Transparent

HHS Secretary Kathleen Sebelius today announced grant awards of \$46 million to 45 States and the District of Columbia. These Affordable Care Act grants will be used to help improve the oversight of proposed health insurance premium increases, take action against insurers seeking unreasonable rate hikes, and ensure consumers receive value for their premium dollars.

For too long, insurance companies in many States have increased health insurance premiums with little oversight, transparency, or public accountability. Health insurance premiums have doubled on average during the last 10 years, much faster than wages and inflation, putting health coverage out of reach for millions of Americans and business owners. Today, just 26 States and the District of Columbia have the authority to reject a proposed increase that is excessive, lacks justification or otherwise exceeds State standards. Many States that have the authority lack resources to exercise it meaningfully. This lack of authority and resources for States has unfortunately contributed to unjustified premium increases in some States.

"The Affordable Care Act puts in place critical market reforms to improve quality and reduce the cost of health care for employers and individuals. Increased competition, lower insurance overhead, and better risk pooling in health insurance Exchanges in 2014 are expected to reduce premiums in the individual market by anywhere from 14-20 percent according to the Congressional Budget Office," said Secretary Sebelius. "Between now and then, we will continue to work with States to ensure consumers are receiving value for their premium dollars and to avoid the kind of double digit premium increases seen recently. The State proposals approved today demonstrate the need and desire for new resources and tools to help them protect against unjustifiable premium increases."

The Affordable Care Act provides States with \$250 million in Health Insurance Premium Review Grants over five years to help create a more level playing field by improving how States review proposed health insurance premium increases and holding insurance companies accountable for unjustified premiums increases. Applications for the first round of Health Insurance Premium Review Grants were made available on June 7.

The grants build on the Obama Administration's work with States to implement the Affordable Care Act. Earlier this year, Secretary Sebelius called on certain insurance companies to justify large premium increases and encouraged State and local officials to obtain stronger health insurance premium review authorities under State laws. This increased scrutiny by the Administration and by several States has led to the withdrawal or reduction of several proposed health insurance premium increases that in some cases turned out to be based on faulty assumptions and data.

States have proposed to use this funding in a variety of ways.

- **Additional Legislative Authority:** 15 States and the District of Columbia will pursue additional legislative authority to create a more robust program for reviewing or requiring advanced approval of proposed health insurance premium increases to ensure that they are reasonable;

- **Expand the Scope of Health Insurance Premium Review:** 21 States and the District of Columbia will expand the scope of their current health insurance review, for example by reviewing and requiring pre-approval of rate increases for additional health insurance products in their State.
- **Improve the Health Insurance Premium Review Process:** All 46 State grantees will require insurance companies to report more extensive information through a new, standardized process to better evaluate proposed premium increases and increase transparency across the marketplace;
- **Make More Information Publicly Available:** 42 States and the District of Columbia will increase the transparency of the health insurance premium review process and provide easy-to-understand, consumer friendly information to the public about changes to their premiums; and
- **Develop and Upgrade Technology:** All State grantees will develop and upgrade existing technology to streamline data sharing and put information in the hands of consumers more quickly.

“States will use these grant dollars in the way that makes the most sense for their insurance consumers,” said Jay Angoff, Director of the Office of Consumer Information and Insurance Oversight. “As we continue to implement the new health insurance reform law, we will continue to work with States to ensure they have the tools they need to ensure the stability of the marketplace, keep costs low and provide consumers with increased transparency, choice and quality they need to make the best health care decisions for their businesses and families.”

A chart summarizing how each State will use the new resources can be found at <http://www.healthcare.gov/news/factsheets/rateschart.html>.

The Health Insurance Premium Review Grants are one element of a broad effort under the Affordable Care Act to reduce the unreasonable premium increases proposed by some insurers today. Additional resources from this \$250 million program will be available in subsequent years to further strengthen State health insurance premium review procedures. Other statutory provisions designed to improve affordability include:

- In 2011, the Affordable Care Act allows the Secretary of the U.S. Department of Health and Human Services to **review justifications for unreasonable increases in premiums** and make them public;
- In 2011, insurers will generally be **required to spend at least 80 percent of premium dollars on medical care services** and quality-improvement activities and limit their spending on overhead, marketing, CEO salaries, and profits; and
- In 2014, the Affordable Care Act empowers States to **exclude health plans that show a pattern of excessive or unjustified premium increases** from the new health insurance Exchanges.

The Affordable Care Act includes a wide variety of provisions designed to promote a high-quality, high-value, health care system for all Americans and to make the health insurance market more consumer-friendly and transparent. Some of the provisions that take effect by the end of next year, or are already in effect, include prohibitions on pre-existing condition exclusions for children; prohibition on lifetime dollar limits in all health plans; extended access to insurance for many young adults; and an unprecedented level of transparency about health insurance through www.HealthCare.gov.

To read more about the grants, visit <http://www.healthcare.gov/news/factsheets/rates.html>.

To read more about how each State will use its grant funding, visit <http://www.healthcare.gov/center/grants/index.html>.

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