California
Health Insurance Rate Review Grant Program
Cycle I Final Report

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PART I: FINAL NARRATIVE REPORT

Introduction:

The regulation of health insurance in California is divided between two agencies -- the Department of Managed Health Care (DMHC), and the Department of Insurance (CDI). On August 16, 2010, the DMHC and the CDI (the Departments) were jointly awarded $1 million in Cycle I grant funds to support the rate review activities. These grant funds were used to implement the National Association of Insurance Commissioners (NAIC) System for Electronic Rate and Form Filing (SERFF), to enhance the Departments' information technology (IT) capacity to support rate review, to enhance the Departments' websites to provide transparency of rate filing information and allow public comments, and to obtain actuarial services.

In continuing efforts to improve California's rate review program, DMHC and CDI submitted separate applications and were awarded funds for the Health Insurance Rate Review – Cycle II grant.

Final Progress Summary:

- Total Funds Expended: **$ 823,680.26**
- Total Staff Hired: **5**
- Total Contracts in Place: **1**
- Introduced Legislation: **Yes**
- Enhanced IT for Rate Review: **Yes**
- Submitted Rate Filing Data to HHS: **Yes**
- Enhanced Consumer Protections: **Yes**
- Consumer-Friendly Website: **Yes**
- Rate Filings on Website: **Yes**

Program Implementation Status:

IT Enhancements:

The DMHC Office of Technology and Innovation has established the IT infrastructure for reviewing premium rate filings. A process has been developed for posting premium rate information on the DMHC public Website – one posting geared to consumers (http://wpso.dmhc.ca.gov/RateReview/) and one to health plans (http://dmhc.ca.gov/healthplans/rep/rep_premiumrates.aspx). All IT hardware and software needed to access to the SERFF has been procured and installed, including

five monitors and five copies of Adobe Acrobat Professional software for financial exam staff. The SERFF Licensing agreement was completed, and a database was established to securely store SERFF data on the DMHC servers.

Both the DMHC and the CDI participated in developing modifications to the SERFF to accommodate new federal Department of Health and Human Services (DHHS) reporting requirements. Rate Review Grant Program funds in the amount of $21,054 were utilized for California's share of this SERFF modification. SERFF went live for the DMHC on February 17, 2011.

In conjunction with implementing the SERFF, the DMHC also updated its website to include rate filing forms, guidelines and the posting of the rate filings submitted via the SERFF. The update allows the public to view the documents and submit comments online. To be more transparent, the DMHC expanded the amount of information posted on its website to include all information filed by health plans for rate review except for contracted provider rates which are confidential under Health and Safety Code section 1351(d).

Prior to passage of the ACA, the CDI received and reviewed rates for individual policies via the SERFF, posted the rate submissions on its public website and accepted public comments. After the ACA, the CDI expanded its process capacity to receive and review rates for small group and large group policies, expanded its rate comment system to include small and large group filings, and improved the comment system functionality to make it easier for the public to post and view comments. Since January 1, 2011, the CDI posted more information received in conjunction with individual and small group market rate filings than had been publicly available in the past.

Legislative Enhancements:

Senate Bill 1163

California Senate Bill 1163 (Ch. 661, Stat. 2010) was enacted to implement the rate review provisions of the ACA, providing the DMHC and the CDI with the authority to review health plan and insurer premium rate increases beginning January 1, 2011. Under SB 1163, neither Department can reject excessive rates nor the authority to deny or disapprove rate increases.

SB 1163 imposes new requirements upon DMHC-regulated health plans. Health plans are now required to submit rate filings to the DMHC, with the primary emphasis on products in the individual and small group markets. These rate filings must include actuarial certifications justifying the premium rate increases. Every individual and small group commercial rate filing must include a certification by an independent actuary that the proposed rate increase is based on accurate and sound actuarial assumptions and methodologies. Filings for large group rate increases (including actuarial certifications) are required only for "unreasonable" rate increases, as defined in the ACA.

SB 1163 also significantly expanded the CDI's rate review authority. Prior to SB 1163,

California law required health insurers to submit rate filings to the CDI for individual and small employer health policies and allowed the CDI to reject some rates in the individual market as "unacceptable for filing." Under SB 1163, the CDI's rate review authority was expanded to include actuarial review of small group filings, and filings for large group rate increases (including actuarial certifications) that are "unreasonable" rate increases, as defined in the ACA.

The rate review for all product types under SB 1163 involves reviewing rate filings to identify unjustified rate increases. If the CDI or the DMHC finds that a rate increase is unjustified, that Department must post that finding on its Website.

To ensure that policyholders have at least 60 days' notice before an increase becomes effective, health plans and insurers must file proposed rate increases with their respective regulator (CDI for insurers, DMHC for health plans) and notify affected consumers at least 60 days in advance of implementation.

Assembly Bill 52

AB 52, pending consideration by the California State Legislature, would expand California's rate review authority by requiring prior approval from the DMHC or the CDI before a health plan or insurer can increase rates charged to policyholders or subscribers, beginning January 1, 2013. "Rates" that would require prior approval under AB 52 include health care premiums, base rates, copayments, coinsurance, deductibles and any other out-of-pocket costs. This bill passed the California State Assembly and is currently in the California Senate's inactive file.

Rate Review Program and Actuarial Services Enhancement:

Prior to enactment of the ACA, the DMHC had extremely limited rate review authority. The only rates that were required to be filed, with very limited scope of review, were rates for small group, HIPAA-guaranteed issue, and conversion products. Health plans were not required to file commercial rates for individual or large group products. Given this limited review authority, the DMHC did not employ actuaries. Instead, the DMHC contracted with the consulting firm of Oliver Wyman Actuarial Consulting, Inc. (OWAC) whenever actuarial review of a rate matter was necessary.

With funds from the rate review grant, the DMHC budgeted $455,000 for a contract with OWAC to provide actuarial services and to help DMHC create a rate review program. The DMHC hired an Associate Actuary in November 2011 and a Senior Actuary in December 2011.

The CDI augmented its existing actuarial capacity by hiring three additional credentialed health actuaries, allowing the CDI to increase its capacity to perform rate reviews.

Pursuant to SB 1163, both Departments are posting rates received after January 1, 2011, for individual and group health insurance products on their websites, with improved public comment functionality (including visibility of the public comments received). In addition to the rate

filings themselves, a plain-language summary of each rate filing is also posted on the Departments' websites. After facilitating public comments as required by SB 1163, the website is now enhanced to accommodate the new rate review requirements. The DMHC's rate review website is located at http://wpso.dmhc.ca.gov/RateReview/.

The CDI also posts individual health insurance rate filings and public comments on its website. The filings and review notes can be viewed at http://www.insurance.ca.gov/0250-insurers/IndHlthRateFilings/ for insurers, with a parallel link at http://www.insurance.ca.gov/0100-consumers/0020-health-related/ for consumers.

To aid in the development of the DMHC's rate review program, the DMHC held several meetings with stakeholders including consumer groups and health plans to discuss rate review and best practices.. Additionally, the DMHC contacted the Oregon Insurance Division of Health Insurance Rate Review and the New York State Insurance Department to learn about best practices these states are using in their rate review programs. These conversations were very informative and helpful for DMHC staff to better understand the rate-making process.

The DMHC and the CDI have been coordinating and communicating regularly. The Departments are working together to provide consistent SB 1163 implementation guidance to the health plans and insurers.

1. *Challenges and Responses*:

   SERFF and IT Implementation:

   The DMHC made some additional enhancements to its rate review website so that information is more accessible and easier for consumers to understand. The DMHC has also posted its state and federal quarterly reports online so consumers can have a summary of what has happened in the last three months.

   Implementation of Rate Review:

   SB 1163 authorized the Departments to issue guidance to the health plans/insurers, outside of the formal rulemaking requirements of the Administrative Procedure Act, until July 2012. Director's Letter (Letter 8-K), providing guidance on rate review, was issued on May 24, 2011 (Attachment 1). Letter 8-K on was amended on February 2, 2012 to provide additional guidance to health plans regarding premium rate review (Attachment 2).

   The DMHC issued SB 1163 draft guidance for public comment on April 22, 2011. After closure of the comment period, the DMHC reviewed the comments, made revisions, and issued the final guidance which discusses several factors with which the department determines whether or not a rate is unreasonable. Five rate filing forms were posted in June, giving health plans additional guidance on rate review filings. Guidance and forms can be accessed on the DMHC website at

http://www.dmhc.ca.gov/healthplans/rep/rep_premiumrates.aspx. To be as transparent as possible, the DMHC expanded the amount of information posted on its website to include all information filed by health plans for rate review, except for contracted provider rates which are confidential under Health and Safety Code section 1351(d).

CDI issued Guidance 1163:2 in draft form on February 3, 2011 for public comment and in final form on April 5, 2011 (Attachment 3). This guidance established a variety of factors to be included in the CDI's consideration of whether a rate increase is unreasonable, provided requirements for notice and the content of actuarial certifications, and specified filing requirements and data submittal forms to be used in rate submission. The guidance and forms can be accessed on the CDI website at http://www.insurance.ca.gov/0250-insurers/0500-legal-info/0200-regulations/HealthGuidance/index.cfm.

Shortage of Actuarial Resources:

The DMHC currently employs one non-credentialed Associate Actuary and one credentialed Senior Actuary, and is in the process of hiring a Chief Actuary and a second Senior Actuary. Recruiting actuaries has been challenging as actuarial salaries in the private sector are approximately twice the salary the state is able to pay for civil service employees. In response to the challenge, in December 2011, the DMHC posted continuous exams for the Associate and Senior Actuarial positions on its website. The CDI's recruitment efforts resulted in the hiring of three actuaries.

Increased Reporting Requirements:

SB 1163 requires the Departments to submit various reports to several agencies and entities, including the Departments' websites, the California Legislature and the California Health Benefit Exchange.[1]

Significant Activities Undertaken:

Premium Rate Review Program Development:

The DMHC is continually enhancing and developing its rate review program; however, the premium rate review process is dependent on the DMHC's ability to procure actuarial services. The DMHC hired actuarial staff in November and December of 2011 and continues to work to build internal staff capacity.

In December 2011, the DMHC awarded and executed two contracts with independent actuarial consulting firms for actuarial services for the next two fiscal years, as well as options for a third

[1] The California Health Benefit Exchange was established in 2010 by California Senate Bill 900 and Assembly Bill 1602.

year. The primary contract, with Lewis and Ellis Actuarial Consulting, is for actuarial review of the more complex rate filings received, and to assist in enhancing the DMHC's rate review program. The secondary contract, with OWAC, is available if there is a conflict of interest with Lewis and Ellis.

The DMHC has successfully implemented the rate review program. The DMHC developed internal processes to enhance and streamline the rate review program, ensuring that all individual, small and large premium rate filings are reviewed in compliance with the ACA and state law. In 2012, the DMHC will be conducting more consumer outreach activities, hiring additional analytic and actuarial staff, and making any necessary modifications to the rate review process so that the review process continues to be transparent, complete, and in compliance with all applicable laws.

Consistent with the CDI's broadened rate review authority under SB 1163, it has hired three additional credentialed health actuaries to review large group, small employer group, and individual premium rate filings to assure compliance with the ACA and state law; expanded detailed examination of actuarial assumptions, actuarial formulations, and underlying calculation accuracy and data integrity of the health insurance rate filings; provided reporting to HHS; and, on an ongoing basis, evaluates the rate review program and makes necessary modifications, including recommending regulatory or statutory changes.

Significant Activities Unmet:

The DMHC performed all of the activities proposed in the Cycle I grant proposal. After the 2010 state budget delay, the DMHC was granted a no-cost, three-month extension to complete actuarial contract activities. Once the contract was in place, the consultant assisted with the actuarial review of health plan premium rates to identify unreasonable, unjustified and/or excessive rate increases, and provided advice to improve the rate review and reporting processes.

The DMHC completed the Cycle I grant actuarial consulting services contract on November 30, 2011. The DMHC is now using Cycle II grant funds to enhance those programs established by Cycle I grant and to carry out more consumer outreach activities.

No significant Cycle I activities for CDI were unmet. Cycle II grant funds were sought to continue to fund the actuarial positions funded through Cycle I grant funds [Chief Health Actuary, 2 Senior Life Actuaries] in order to continue to provide the thorough actuarial analysis that is used by the CDI in attempting to achieve favorable rate adjustments. CDI also sought additional Cycle II grant funds to hire additional actuarial staff (Senior Life Actuary, Associate Life Actuary (80%funded) to shorten the average time for rate review, final determination, and posting/reporting the determinations, so as to provide additional time to communicate with the insurers in order to attempt to achieve rate reductions, where appropriate. CDI is currently in the process of significantly revising its rate review website to increase its utility to consumers.

Operational/Policy Developments/Issues:

Few public comments were received by CDI and DMHC regarding proposed rate increases during the Cycle I period. As a result, CDI and DMHC obtained Cycle II funds to provide grants to qualified consumer advocacy organizations with a demonstrated history of rate analysis and advocacy on behalf of a variety of consumer populations to reimburse them for expenses incurred in reviewing the rate filings and submitting comments to the Departments.

Legislative Activity:

As previously mentioned, SB 1163 gave the DMHC and the CDI the authority to review health plan and insurer premium rate increases, respectively, beginning January 1, 2011. AB 52, which would expand the Departments' authority to regulate rates and require prior approval before a health plan or insurer could raise rates, is pending in the California legislature on the Senate's inactive file.

Leadership Changes:

Both the DMHC and the CDI experienced leadership changes during the Cycle I grant period. The DMHC has a new Director, Brent A. Barnhart, appointed on August 11, 2011, and a new Chief Deputy Director, Shelley Rouillard, appointed on September 1, 2011. The Insurance Commissioner is an elected independent state constitutional officer; the new Insurance Commissioner, Dave Jones, took office on January 3, 2011.

Final Rate Filing Data Summary:

As indicated previously, prior to enactment of the ACA, the DMHC had extremely limited rate review authority. The only rates that were required to be filed, with very limited scope of review, were rates for small group, HIPAA-guaranteed issue, and conversion products. Health plans were not required to file commercial rates for individual or large group products. Consequently, the DMHC did not have a rate review program and did not employ actuaries. Although SB 1163 expanded the Departments' authority to review premium rate increases, the legislation did not give the Departments the authority to deny or disapprove rate increases.

In 2011, the DMHC received 61 small group and individual rate filings, covering over 1,000 different health plan products. The DMHC found two of the products filed by Blue Cross of California to be unreasonable, but the health plan ultimately implemented the proposed rate increases without change. The DMHC was able to negotiate lower rates on two filings by Health Net and Kaiser Foundation Health Plan. These negotiations have resulted in approximately $21 million savings for California's enrollees and subscribers in DMHC-regulated health plans.

1) **SERFF Tracking Number**: KHPI-127146900
   Effective Date: July 1, 2011

   The company initially requested 12-month rate increases averaging 10.9%. After review

by and discussions with the DMHC, the company agreed to lower its average rate increase request to 9.5%. This negotiated rate affected approximately 190,000 policyholders.

2) **SERFF Tracking Number**: KHPI-127146976
Effective Date: July 1, 2011

The company initially requested 12-month rate increases averaging 12.5%. After review by and discussions with the DMHC, the company agreed to lower its average rate increase to 10.8%. This negotiated rate affected approximately 240 policyholders.

3) **SERFF Tracking Number**: HNLH-127062271
Effective Date: May 1, 2011

The company initially requested 12-month rate increases averaging 12.3%. After review by and discussions with the DMHC, the company agreed to lower its average rate increase to 9.6%. This negotiated rate affected approximately 180,478 policyholders.

4) **SERFF Tracking Number**: HNLH-127139743
Effective Date: July 1, 2011

The company initially requested 12-month rate increase averaging 12.6%. After review and discussions with the DMHC, the company agreed to lower its average rate increase to 10.1%. This negotiated rate affected approximately 26,814 policyholders.

In 2011, Blue Shield Life & Health Insurance Company, and its DMHC-regulated parent company, Blue Shield of California, announced that it would cap profits at two percent of revenue, resulting in a refund of $295 million to its policyholders.

For the CDI, the availability of Cycle I funds supported an enhanced rate review process in California by facilitating timely, thorough actuarial analysis by CDI health actuaries. Their extensive reviews of the rate filings helped achieve rate reductions and savings for California health insurance consumers.

Immediately after his January, 2011 inauguration, Insurance Commissioner Dave Jones called on the major health insurers in the California market -- Anthem Blue Cross, Blue Shield, PacifiCare, and Aetna -- to refrain from implementing previously filed rate submissions for at least 60 days pending further review by the CDI; each insurer complied. After the CDI's review, Blue Shield agreed in March, 2011 to withdraw its most recent rate increase; the increase request was the third such request in less than a year, with an average rate increase of 6.5 percent. Similarly, after the CDI's review, Anthem Blue Cross agreed in March, 2011 to reduce its rate increase from 16.4 percent to 9.1 percent, to delay the effective date of the rate increase from April 1 to July 1, and to also delay increases in co-payments and deductibles proposed for April 1st to January 1, 2012. It is estimated that these reductions requested by the CDI will save Anthem Blue Cross policyholders a total of at least $40 million.

Further examples of rate reductions or modifications as a result of CDI's rate review process include the following:

1) **SERFF Tracking Number:** AETN-127060798
Disposition Date: June 2, 2011

The company initially requested 12-month rate increases averaging 17.9%. After review by and discussions with the CDI the company agreed to lower its average rate increase request to 12.2%, resulting in savings totaling an average of 4.8% on an annualized basis. As a result of these changes, approximately 43,000 policyholders will see savings totaling approximately $6.7 million dollars in comparison to what they would otherwise have paid.

2) **SERFF Tracking Number:** AETN-126940373 and AETN-126940379
Disposition Date: June 2, 2011

The company originally intended to implement rate increases for these filings on April 1, 2011. After review by the CDI, the implementation date was moved back to July 1, 2011. As a result, policy holders with renewal dates effective during the second quarter avoided a planned average rate increase of 2.8%. Because the company increases rates on its individual medical policies every quarter, postponement of the effective dates of the rate increases to July 1 means an additional $1 million dollars in ratepayer savings.

3) **SERFF Tracking Number:** AWLP-127103976
Disposition Date: June 20, 2011

After the CDI reviewed a proposed quarterly rate increase, the company agreed to cut its quarterly premium increase in half - from 6.0 percent to 3.0 percent on average for certain health insurance products sold in the small group market. This rate filing contained proposed quarterly rate increases for the Solution 2500 PPO, Solution 3500 PPO and Solution 5000 PPO ("Solutions Plans"), which are purchased by small businesses with 2-50 employees. The rate increases for these products affect nearly 18,000 members and went into effect on July 1st. The average quarterly increase was 3 percent (with a maximum increase of 4 percent). State law for small group policies allows the insurer to apply a risk adjustment factor of 0.90 to 1.10 to the small employer group standard employee risk rates. This creates a "rate band" within which the carrier may adjust employer rates for risk factors such as previous use of health services or industry type. The estimated total savings to small employers who have the Solutions PPO plans is $2 million.

4) **SERFF Tracking Number:** AETN-127095426
Disposition Date: September 15, 2011

The company agreed to reduce its July 1st small group filing rate from a 4 percent quarterly increase to 1.1 percent - this change results in a 13.7 percent annual increase for the approximately 94,000 policyholders who are members of this plan. This rate reduction will save policyholders who renew in July, August and September $2.5 million over the next 12 months and will similarly impact the rates of those who renew in the fourth quarter of this year and the first two quarters of next year.

5) **SERFF Tracking Number: AWLP-126965842**
Disposition Date: September 30, 2011

The company initially filed for rate increases averaging 13.4% effective April 1, 2011, assuming no change in benefit. The actual filed increases averaged 9.8%, reflecting the impact both of PPACA-mandated benefits and of decreases to benefits. After discussions with the CDI, the company agreed to lower its average rate increase request to 10.0% effective July 1, 2011, assuming no change in benefit. This new filing reflects 1.3% trend per month over three months and a 6.6% decrease in assumed claim cost, due to new assumptions regarding utilization of services, as well as changes in benefits. Benefit changes: the company agreed to cancel the change in formulary and, at the Commissioner's request, to postpone implementation of other benefit changes until January 1, 2012. Combined with the aforementioned revisions to claim cost, these benefit changes produce an average increase in effective rate of 9.1% from the previously filed rate. As a result of the changes agreed to after discussions with the CDI, consumers insured by these policies will save an estimated $40 million over a 12-month period.

Public Access Activities:

The DMHC and the CDI have developed their respective websites to display required health plan-specific information in plain and understandable language. Such proposed rate increase information includes justification for any unreasonable rate increase, overall medical trend or factor assumptions, actual claim costs by aggregate benefit category, and the amount of projected trend attributable to use of services, price inflation, or fees/risk by aggregate benefit category. Rate increase information must also be posted on the health plans websites. The DMHC and CDI websites allow the public to view rate filings and to submit public comments about the health plans' rate increases. As noted above, few public comments were received regarding proposed rate increases during the Cycle I period. As a result, DMHC and CDI obtained Cycle II funds to provide grants to qualified consumer advocacy organizations for review and comment regarding rate filings.

Collaborative Efforts:

The DMHC and the CDI engage in bi-weekly teleconferences to coordinate rate review implementation under SB 1163.

The DMHC and the CDI also are highly engaged with the California Health Benefit Exchange, as well as with the California Health and Human Services Agency, regarding implementation of the ACA.

Materials Produced During Cycle I:

The DMHC produced two Director's Letters to provide guidance to health plans regarding premium rate filings, as well as the following forms to be used in the rate filings:

- DMHC Rate Filing Form;
- DMHC New Product Rate Filing Form;
- DMHC Plain Language Filing Description;
- California Rate Filing Spreadsheet;
- California Plain-Language Spreadsheet; and
- California Aggregate Rate Data Report Form.

The DMHC developed its rate review website in which consumers can view and submit comments on various rate filings received, available at http://wpso.dmhc.ca.gov/RateReview/. This website went live in March 2011; as of December 31, 2011 the site had 3,804 visitors. The Legislative Quarterly Reports and the Rate Review Grant Quarterly Reports are also available to the public on the DMHC's website at http://www.dmhc.ca.gov/aboutthedmhc/gen/gen_publicInfoRpts.aspx.

Impact:

Prior to enactment of the ACA, the DMHC had extremely limited rate review authority. The Cycle I grant funds enabled the DMHC to start its rate review program, develop its rate review website, and utilize SERFF. To date, the DMHC has received over 61 small group and individual rate filings. Through negotiations with health plans, the DMHC has saved Californians over $21 million. The DMHC's rate review activities have received significant press coverage. An example is an article from the Sacramento Business Journal, "Kaiser Rolls Back Rates for Some Firms" (Attachment 4).

The success of the CDI in obtaining significant health insurance rate reductions was recognized by California media organizations. An example is an article in the March 22, 2012 edition of the *Los Angeles Times* (Attachment 5) "Anthem Blue Cross to cut rate hikes for some California customers."

Lessons Learned:

The DMHC and the CDI recognize the value of communicating and learning from each other's experience. The two Departments hold bi-weekly conference calls to discuss issues and concerns. From the comments and requests for information received from the public regarding

premium rate increases, the Departments understand the impact these rates have on many Californians. This public response emphasizes the importance of establishing an effective rate review program. The Departments have learned that it is important to have as much information as possible, transparent and available to the public, so consumers can be informed of rate increases that may affect them. The DMHC is continuing these efforts in the Cycle II by contracting with a consumer group to obtain the consumers' perspective on premium rates and to perform consumer outreach.

The experience of the CDI has been that successful negotiation of rate decreases and deferrals is enhanced if actuarial review by the CDI is concluded well in advance of the proposed implementation date of the rate increase. State law requires that rate filings are submitted to the CDI at least sixty days before a rate increase becomes effective, but that is often a relatively short time prior to the carrier beginning its process of billing the policyholders. As California does not currently have rate approval authority, negotiating rate adjustments in the final days before an implementation date does not lend itself to the optimal outcome, since insurers require time to retool their billing systems. Thus, CDI sought additional Cycle II grant funds to hire additional actuarial staff to shorten the average time for rate review, final determination, and posting/reporting the determinations, in order to provide additional negotiating time to achieve rate reductions, where appropriate.

Final Budget Summary:

Expenditures through the end of the Cycle I grant period include:

SERFF Enhancement	$18,808
Computer equipment	1,022
Computer software	1,224
NAIC Travel Reimbursement	1,109
Contract Services	420,817
Staff (CDI)	380,700
Total	**$823,680**

The unspent balance of $176,320 will be returned to HHS. None of the expenses listed above were unforeseen. Please see Attachment 5 for the final detailed budget.

Final Work Plan and Timeline:

All planned activities were achieved. The DMHC met the goals within the proposed timelines, except for two activities:

- The original deadline for training in SERFF was December 31, 2010. The DMHC completed this goal on January 5, 2011.

- The original deadline for hiring actuaries was November 30, 2011. However, the hiring of actuaries was completed in December 2011. The delay was due to California's budget issues; the DMHC received approval to hire for the actuarial positions beginning on July 1, 2011 – the start of DMHC's fiscal year. Although the DMHC posted the job opportunities in a timely manner, the DMHC received very few qualified applications. Ultimately, the DMHC filled the Associate Actuary position in November 2011 and the Senior Actuary position in December 2011.

CDI completed the hiring of actuaries funded with Cycle I funds by April 2011. IT enhancements were completed by the end of the Cycle I grant period.

Enclosures/Attachments:

Attachment 1: DMHC -Director's Letter 8-K, issued on May 24, 2011.

Attachment 2: DMHC - Director's Letter 8-K, issued on February 2, 2012.

Attachment 3: CDI – Guidance 1163: 2, issued on April 5, 2011.

Attachment 4: Sacramento Business Journal "Kaiser Rolls Back Rates for Some Firms," printed on Friday, October 7, 2011.

Attachment 5: Los Angeles Times "Anthem Blue Cross to Cut Rate Hikes for Some California Customers," printed on Monday, March 22, 2012.

Attachment 6: Final Detailed Budget.

Attachment 7: Objective Work Plan, DMHC-Premium Rate Review and the Identification of Unreasonable Rate Increases.

Attachment 8: Objective Work Plan, DMHC-Obtain Actuarial Services.

Attachment 9: Objective Work Plan, DMHC-Implement and Evaluate the Premium Rate Review Program.

Attachment 10: Objective Work Plan, DMHC-IT Infrastructure and Premium Rate Information on Website.

Attachment 11: Objective Work Plan, CDI-Expand Actuarial Reviews.

Attachment 12: Objective Work Plan, CDI-IT Infrastructure.

PART II: HEALTH INSURANCE RATE DATA COLLECTION

Tables A-D: Rate Volume Tables

Table A. Rate Review Volume

State	Quarter 1	Quarter 2 DMHC/CDI/Total	Quarter 3	Quarter 4	Annual Total[2]
Number of submitted rate filings[3]	45	3/13/16	14/15/28	13/21/34	61/49/155
Number of policy rate filings requesting increase in premiums and new plans	34	3/10/13	14/15/28	12/7/19	50/32/116
Number of filings reviewed for approval/denial/review completed[4]	35	3/24/27	5/5	8/9/17	51/38/124
Number of filings approved[3]	29	3/7/10	6/5/5	8/9/17	50/21/100
Number of filings denied[4,5]	0	0	1/0	0	1/0/1
Number of filings deferred or currently under review.	10	3/44/47	14/0/14	16/0/16	33/44/87

[2] This total includes filings received through the DMHC's eFiling prior to the SERFF utilization and rate filings received after grant period ending, but prior to the no-cost grant extension of December 31, 2011.

[3] The number includes rate filings not submitted via SERFF, filings that were withdrawn and filings through the end of the grant period of December 31, 2011.

[4] "Number of filings reviewed for approval/denial review completed" includes all the actuarial reviews of major medical filings completed by CDI during the period July 1 – Sept. 30, 2011, and received by CDI during the period Oct. 1, 2010 – Sept. 30, 2011.

[5] "Denied" denotes files for which review has been completed with a finding of an unreasonable rate increase. The DMHC made one determination that Anthem Blue Cross' individual rate filing regarding two of its PPO products was "unreasonable." This filing is also available for public comment and review on the DMHC rate review website (http://wpso.dmhc.ca.gov/RateReview/).

Table B. Number and Percentage of Rate Filings Reviewed – Individual Group

State	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
Product Type (PPO, HMO, etc.)	Not Available	DMHC: None CDI: PPO	DMHC: PPO CDI: PPO	DMHC: PPO CDI: PPO	PPO
Number of Policyholders	Not Available	DMHC: 0 CDI: Not Available	DMHC & CDI: Not Available	DMHC & CDI: Not Available	Not Available
Number of covered lives affected	Not Available	DMHC: 0 CDI: 271,000	DMHC: 70,833 CDI: 99,716	DMHC: 150 CDI: 641.585	DMHC: 70,983 CDI: 1,012,301

Table C. Number and Percentage of Rate Filings Reviewed – Small Group

State	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
Product Type (PPO, HMO, etc.)	Not Available	DMHC: HMO	DMHC: HMO and POS CDI: PPO	DMHC:HMO, EPO, PPO, HSA CDI: PPO	HMO, EPO, PPO, HSA, PPO
Number of Policyholders	Not Available	Not Available	DMHC: HMO: 154,841 POS: 4,704 CDI: Not Available	DMHC: HMO: 101,964, EPO: 1,443, PPO: 53,374, HSA: 8,345 CDI: Not Available	DMHC: HMO: 256,805 EPO: 1,443 POS: 4,704, PPO: 53,374, HSA: 8,345 Total: 324,671 CDI: Not Available
Number of covered lives affected	Not Available	DMHC: 224,889 CDI: Not Available	DMHC: HMO: 966,409, POS: 40,791, CDI: 20,481	DMHC: HMO: 218,386, EPO: 3,141, PPO: 63,003, HSA: 17,627, CDI: 58,490	DMHC: HMO: 1,184,795, EPO: 3,141, POS: 40,791, PPO: 63,003, HSA: 17,627, Total: 1,309,357, CDI: 78,971

Table D. Number and Percentage of Rate Filings Reviewed – Large Group

State	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
Product Type (PPO, HMO, etc.)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Number of Policyholders	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Number of covered lives affected	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Table E. (SERFF Users): Number and Percentage of Rate Filings Reviewed –Combined

State	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
Product Type (PPO, HMO, etc.)	Not Applicable	HMO, PPO	HMO, PPO, POS	HMO, PPO, EPO, HSA	HMO, PPO, POS, EPO, HSA
Number of Policyholders	Not Applicable	Not Available	DMHC: HMO: 154,841, POS: 4,704, CDI: Not Available	DMHC: HMO: 101,964, EPO: 1,443, PPO: 53,374, HSA: 8,345, CDI: Not Available	DMHC: HMO: 256,805, EPO: 1,443, PPO: 53,374, HSA: 8,345, Total: 319,967, CDI: Not Available
Number of covered lives affected	Not Applicable	DMHC: 224,889, CDI: Not Available	DMHC: HMO: 966,409, POS: 40,791, PPO: 70,833, CDI: 120,197	DMHC: HMO: 218,386, EPO: 3,141, PPO: 63,003, HSA: 17,627, CDI: 58,490	DMHC: HMO: 1,184,795, EPO: 3,141, POS: 40,791, PPO: 133,836, HSA: 17,627, Total: 1,380,190, CDI: 178,687