

Why GAO Did This Study

With premiums increasing for private health insurance, questions have been raised about the extent to which increases are justified. Oversight of the private health insurance industry is primarily the responsibility of states. In 2010, the Patient Protection and Affordable Care Act required the Department of Health and Human Services (HHS) to award grants to assist states in their oversight of premium rates. GAO was asked to provide information on state oversight of premium rates. In this report, GAO describes (1) states' practices for overseeing health insurance premium rates in 2010, including the outcomes of premium rate reviews; and (2) changes that states that received HHS rate review grants have begun making to enhance their oversight of premium rates.

GAO surveyed officials from insurance departments in 50 states and the District of Columbia (referred to as states) about their practices for overseeing premium rates in 2010 and changes they have begun making to enhance their oversight. GAO received responses from all but one state. GAO also interviewed officials from California, Illinois, Maine, Michigan, and Texas to gather additional information on state practices. GAO selected these states based on differences in their authority to oversee premium rates, and proposed changes to their oversight, their size, and their geographic location. GAO also interviewed officials from advocacy groups and two large carriers to obtain contextual information.

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PRIVATE HEALTH INSURANCE

State Oversight of Premium Rates

What GAO Found

GAO found that oversight of health insurance premium rates—primarily reviewing and approving or disapproving rate filings submitted by carriers—varied across states in 2010. While nearly all—48 out of 50—of the state officials who responded to GAO's survey reported that they reviewed rate filings in 2010, the practices reported by state insurance officials varied in terms of the timing of rate filing reviews, the information considered in reviews, and opportunities for consumer involvement in rate reviews. Specifically, respondents from 38 states reported that all rate filings reviewed were reviewed before the rates took effect, while other respondents reported reviewing at least some rate filings after they went into effect. Survey respondents also varied in the types of information they reported reviewing. While nearly all survey respondents reported reviewing information such as trends in medical costs and services, fewer than half of respondents reported reviewing carrier capital levels compared with state minimums. Some survey respondents also reported conducting comprehensive reviews of rate filings, while others reported reviewing little information or conducting cursory reviews. In addition, while 14 survey respondents reported providing consumers with opportunities to be involved in premium rate oversight, such as participation in rate review hearings or public comment periods, most did not. Finally, the outcomes of states' reviews of rate filings varied across states in 2010. Specifically, survey respondents from 5 states reported that over 50 percent of the rate filings they reviewed in 2010 were disapproved, withdrawn, or resulted in rates lower than originally proposed, while survey respondents from 19 states reported that these outcomes occurred from their rate reviews less than 10 percent of the time.

GAO's survey of state insurance department officials found that 41 respondents from states that were awarded HHS rate review grants reported that they have begun making changes in order to enhance their states' abilities to oversee health insurance premium rates. For example, about half of these respondents reported taking steps to either review their existing rate review processes or develop new processes. In addition, over two-thirds reported that they have begun to make changes to increase their capacity to oversee premium rates, including hiring staff or outside actuaries, and improving the information technology systems used to collect and analyze rate filing data. Finally, more than a third reported that their states have taken steps—such as introducing or passing legislation—in order to obtain additional legislative authority for overseeing health insurance premium rates.

HHS and the National Association of Insurance Commissioners (NAIC) reviewed a draft of this report. In its written comments, HHS highlighted the steps it is taking to improve transparency, help states improve their health insurance rate review, and assure consumers that any premium increases are being spent on medical care. HHS and NAIC provided technical comments, which were incorporated as appropriate.