

# 'Prior approval' of premiums alters health care landscape

Tom Tobin • Staff writer • June 20, 2010

Major changes in the way health insurance premiums are set and regulated are coming to the Rochester region.

The state Legislature, as part of a recent budget extender bill, adopted the "prior approval" approach to health insurance premiums, meaning that companies like Excellus BlueCross BlueShield and MVP Health Care must submit proposed rates for state review and approval before they are imposed. The regulatory approach is similar to that long required for public utilities.

For about a decade, health insurers have acted under a "file and use" requirement, meaning they were required to notify and justify rates but regulatory review and approval were not mandated.

Under the change, which Gov. David Paterson signed into law last week, proposed rates must be submitted for consideration by the state Insurance Department 60 days prior to their effective date. That means that annual rates taking effect on Jan. 1, 2011, must be submitted to the state by Nov. 1. Additionally, medical-loss ratios have been revised, meaning insurers must demonstrate that more of the premium dollar is to be spent on medical care.

Local insurers, who along with the state Business Council, the Rochester Business Alliance and major employers like the University of Rochester, fought the change, said this week that changing the timetable could force premiums up. They argue that, because of the review deadlines, insurers will have to present proposed rates based on less complete data, including claims information and trends.

"The finances are always tight. We're working with a 1 percent or 2 percent margin between our costs and our revenue. If we're off by 1 percent, that's a swing of \$50 million," said Jim Redmond,

spokesman for Excellus BlueCross BlueShield. "This will make it more difficult. Ratepayers could find that, for them, prior approval backfires."

Both Redmond and MVP Health Care spokesman Gary Hughes said the regulatory change does nothing to stem rising health costs and could place additional administrative burdens on insurers. The state's new review process, according to Redmond, "adds much uncertainty to budgets and planning to those employers who buy health coverage."

"This does nothing about health costs," RBA president Sandy Parker said. "In fact, the Legislature is adding new mandates."

"In the past, insurers would underestimate costs and then have to spike rates the next year to compensate. That could happen again," said Peter Robinson, vice president and chief operating at the University of Rochester Medical Center. "Prior approval is a form of price fixing that we have opposed."

Advocates said the change is in response to the enormous rate of increase in premiums. According to the advocacy group Health Care for All New Yorkers, health care premiums rose statewide by 81 percent between 2000 and 2007, while median wages in New York rose by 11 percent. In Rochester, average premium costs have been rising annually at double-digit or near double-digit percentages.

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State Assemblyman Joe Morelle, D-Irondequoit, who has supported prior approval for health premiums, said the bill will save millions for New Yorkers and is designed to ensure that insurers have rates that are adequate.

"The medical loss ratio change is targeted more to downstate insurers than to ours. Local ratios are already pretty much where they should be. But overall this means that more of the premium dollar will be going to health care," Morelle said.

Morelle said regulatory review should mean lower premiums overall, which will enable more businesses to provide **group health coverage**. That will move more of the working poor off Medicaid, the public health insurance program, saving, the Peterson administration estimates, \$70 million statewide.

Political interference remains a concern. Morelle said safeguards are built into the review process, but MVP's Hughes suggested that possibility remains.

"We'll see if the law is followed," Hughes said.

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