

# Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

<b>Report Date</b>	<b>January 30, 2013</b>
--------------------	-------------------------

Organization Information	
<b>State</b>	<b>Arkansas</b>
<b>Project Title</b>	<b>Arkansas Health Insurance Rate Review Program Cycle II</b>
<b>Grant Project Director (Name and Title)</b>	<b>Lowell Nicholas Deputy Commissioner – Rate Review Director</b>
<b>Phone/Email</b>	<b>501-683-3836</b>
<b>Grant Authorizing Representative</b>	<b>(same)</b>
<b>Phone/Email</b>	<b>(same)</b>

Grant Information	
<b>Date Grant Awarded</b>	<b>September 20, 2011</b>
<b>Amount Granted</b>	<b>\$3,869,076.00</b>
<b>Project Year</b>	<b>2011-2014</b>
<b>Phase (Phase I or Phase II)</b>	<b>Phase I</b>
<b>Project Reporting Period (Example Quarter 1 10/1/2011-12/31/2011)</b>	<b>Quarter 1 ( 10/1/12-12/31/2012)</b>

**The purposes of the Cycle II Quarterly Grant Reports are to:**

- Provide the Rate Review Grant Program with a better understanding of the States’ Department of Insurance Rate Review Program and the rate review initiatives funded through this grant program
- Provide the Rate Review Grant Program with Quarterly Rate Filing Data
- Provide the States participating in the Rate Review Grant Program with the opportunity to share information, highlight successes and reflect upon the progress of their programs

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is **0938-1121**. The time required to complete the application associated with this information collection is estimated to **average 24 hours per response**, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.

# Health Insurance Rate Review Grant Program

## Cycle II Quarterly Report Template

---

**Grant Performance Period-Cycle II:** Date of award through September 30, 2014

Section 1003 of the Affordable Care Act requires the Secretary of the Department of Health and Human Services (HHS), in conjunction with the States, to establish a process for the annual review of health insurance premiums to protect consumers from unreasonable, unjustified and/or excessive rate increases. Section 2974 of the Public Health Service Act (PPACA Section 1003) provides for a program of grants that enable states to improve the health insurance rate review and reporting processes.

The goals of the Cycle II Rate Review Grant Program include:

- Establishing or enhancing a meaningful and comprehensive effective rate review program that is transparent to the public, enrollees, policyholders and to the Secretary, and under which rate filings are thoroughly evaluated and, to the extent permitted by applicable State law, approved or disapproved; as well as
- Developing an infrastructure to collect, analyze, and report to the Secretary critical information about rate review decisions and trends, including, to the extent permitted by applicable State law, the approval and disapproval of proposed rate increases.

States are required to submit quarterly progress reports to CCIIO's Rate Review Grant Program. The quarterly progress report describes significant advancements towards the State's goal of improving its current health insurance rate review and reporting process beginning from the time of approval through completion of the grant period.

Each quarterly report is due thirty days following the end of the Federal fiscal quarter. For example the first Cycle II quarterly report is due by January 30, 2012. All quarterly reports must be submitted electronically through the Health Insurance Oversight System (HIOS).

The following reporting guidelines are intended as a framework and can be modified when agreed upon by the CCIIO Rate Review Grant Program and the State. A complete quarterly progress report must detail how grants funds were utilized, describe program progress, barriers and provide an update on the measurable objectives of the grant program.

# Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

---

## **PART I: NARRATIVE REPORT FORMAT**

### **Introduction:**

Section 2794 of the Affordable Care Act (ACA) “Ensures That Consumers Get Value for Their Dollars.” Specifically, Section 2794 establishes a process for the annual review of health insurance rates to protect consumers from unreasonable rate increases.

The Health Insurance Rate Review Division (HIRRD) of the Arkansas Insurance Department (AID) has completed the first quarter of the second year of the Cycle II grant with a first year budget of \$1,874,000. HIRRD has had a very successful quarter.

### **Overview:**

The stated HHS/CCIIO goals for the Cycle II Rate Review Grant Program are:

1. Establishing or enhancing a meaningful and comprehensive effective rate review program that is transparent to the public, enrollees, policyholders and to the Secretary, and under which rate filings are thoroughly evaluated and, to the extent permitted by applicable State law, approved or disapproved;
2. Developing an infrastructure to collect, analyze, and report to the Secretary critical information about rate review decisions and trends, including, to the extent permitted by applicable State law, the approval and disapproval of proposed rate increases.

1) The first goal was substantially met on July 1, 2011. On that date, Steve Larsen, CCIIO Director, officially notified Commissioner Jay Bradford that the Arkansas Department of Insurance (AID) had met the applicable criteria and had been designated an ‘Effective Rate Review Program’ in all markets. That official designation has been successfully maintained throughout 2012 by constant vigilance and compliance to the applicable ACA rules and regulations.

2) HIRRD has planned and implemented an aggressive and innovative effort to improve the infrastructure and accuracy of the AID rate review process, including but not limited to:

- Initiated a ground-breaking and pioneering contract to automate and analyze the healthcare data extracted from SERFF and applicable federal databases. iRate (Insurance Rate Analysis Tracking Engine) is an automated retrieval and analysis application which will be used by HIRRD and the AID Life & Health Division (L&H) in compliance and rate review of healthcare information. This has the potential to revolutionize the entire AID rate review process.

## Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

---

Phase II of the iRate contract is now underway and will fully incorporate the data within the newly mandated HHS data template (URRT). Phase II is anticipated to be completed on or before 8.1.13. Upon completion, iRate will be shared with HHS for use by other state Rate Review grantees.

- Scheduled and funded extensive onsite SERFF Training of L&H personnel
- Produced a professional evaluation of the L&H rate review process with recommendations which will substantially upgrade the L&H process
- Produced an innovative and comprehensive department training manual, checklists, and job aids for use by L&H personnel
- Funded numerous and significant actuarial services that could not be funded through the L&H operating budget.

a. Engaged Lewis & Ellis (L&E) to review AID's first two small group rate filings. AID had never reviewed a small group rate filing before and needed the review of filings for compliance with AID Bulletin 7-2011. L&E also created a Summary Worksheet as well as a one-page "short form" actuarial checklist for all future rate requests.

b. Engaged L&E to review AID existing bulletin on Small Group Rate Filings and made necessary changes to the bulletin so that the Department's review would meet all requirements of an Effective Rate Review Program.

c. Engaged L&E to review the two individual rate filings that covered the largest number of individuals. The review helped the Department in reducing the amount to the increases. These filings were the Blue Cross open block of business and the Blue Cross closed block of business.

d. Engaged INS to review L&H's form filing procedures and make recommendations to our procedures so that the Department will be better positioned for implementation of the Affordable Care Act. In addition to this review, INS will produce a training manual that will be used to train our staff for future form filing reviews.

# Health Insurance Rate Review Grant Program

## Cycle II Quarterly Report Template

---

### **Description of the proposed rate review enhancements for Cycle:**

- a) Expand legal authority for health rate review and approval or disapproval;
- b) Expand expertise for health rate reviews;
- c) Enhance technology and programmatic infrastructure to effectively collect, analyze, and report health insurance rate filings and outcomes to diverse stakeholders including the general public, health care insurers, health care providers, and policymakers including state legislators and the Department of Health and Human Services (DHHS) Secretary;
- d) Create a health insurance education, outreach, and training unit dedicated to information dissemination about health insurance rate approval processes and rate trends to diverse stakeholders including the general public and special consumer populations, policymakers, health insurers, health care providers, and the business community.
- e) Fully utilize the AID Insurance Rate Review Media Center for public and professional training, education, and information dissemination activities including, but not limited to, public hearings and media presentations. The AID Insurance Rate Review Media Center will serve as the “center” for rate review education and outreach efforts. Training methodologies will include classes, seminars, and interactive webinars or interactive video conferences augmented by PowerPoint presentations, course syllabi, video clips, and classes for healthcare professionals.
- f) Create a “state of the art” AID internal database which will collect, process, and produce analyses of healthcare data, meeting or exceeding all applicable requirements contained within the ACA.

### **Program Implementation Status:**

During the quarter several major milestones were met and significant progress were made toward other goals. One major goal met was our SERFF database application went into testing at the end of the quarter. This new application will greatly improve our rate review process and our reporting abilities.

Also in this quarter, HIRRD was able to begin planning and enter into a contract with a website developer vendor to update our existing website with additional rate review and health insurance cost information. These on going efforts meet our goals to continue providing consumers with basic and understandable information regarding rate review and health premium cost.

With the Arkansas Legislature convening in January of 2013, HIRRD staff attended various industry meetings to discuss possible legislation. Though several bills have been discussed, no decision has been made on any legislation by the end of the quarter. HIRRD has not identified any legislation that is needed to retain its “Effective Rate Review Program” designation.

## Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

---

An ongoing challenge that was addressed again in the quarter was getting our grant funds allocated to the Department's budget. We were successful in getting our grants funds included into the Department's FY2013 state appropriation and approved by the appropriate legislative committee. During the 3013 session, the Department's appropriation must be passed by the legislature.

### **Significant Activities: Undertaken and Planned**

The most significant activity undertaken by the Health Insurance Rate Review Division (HIRRD) of the Arkansas Insurance Department (AID) in 2012 was the conception and implementation of a contract with Arkansas Foundation of Medical Care (AFMC) to create iRate, a revolutionary SERFF data extractor and analyzer. The prime objective of this proposal was to attain the greatest possible enhancement of the rate review process for the State of Arkansas. (*See Exhibit 5*)

The primary goal of AID/HIRRD was to develop and deliver an innovative "turnkey" transformational program. The final product of this proposal will be a rate review process that is thorough, punctual, accurate, transparent, protective to the rate payer, compliant with all applicable laws, rules, regulations, and automated to the greatest extent possible.

The 'scope of services' for this contract was submitted to CMS /CCIIO, in advance, for review for suitability and regulatory compliance. The significance of this project is the immense value it is expected to bring to AID HIRRD as well as numerous other states which are expected to eagerly utilize the product upon completion.

The original contract consisted of Phase I and Phase II. Phase I is approximately 95% complete and is in the 'User Acceptance Testing' period to be followed shortly thereafter by the "Go Live" period. Due to CMS policy, Phase II has been delayed and totally redesigned to accommodate the introduction and mandated usage of the CMS Unified Rate Review Template (URRT) the announcement of which occurred in late November of 2012. This additional work requirement, which greatly impacted Phase II, was totally unforeseen by the AID/HIRRD.

Phase II now consists entirely of incorporating the URRT into HIRRD's iRate, the "SERFF data extractor and analyzer" developed during Phase I. Phase II, as reconfigured, will take increased time and funds. HIRRD expects the completion date of Phase II to now be on or before August 1<sup>st</sup>, 2013. HIRRD's current grant contract budget has sufficient funding to complete Phase II.

## Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

---

During this quarter, significant progress was made in the continued development of our rate review website. In an effort to continue providing consumers with basic and helpful information regarding rate review and health insurance costs, Rate Review contracted with a vendor to make the following upgrades:

- Video: Rate Review's communications officer worked with our website developer to create a Rate Review 101 video which is posted on each page of the website. The video explains in basic terms how the review process works and how the average premium dollar is spent.
- E-Alerts Sign up: To inform consumers about rate requests, Rate Review will send out notifications through an e-updates system. Consumers who register for the updates will receive notifications when a carrier files a request. The registration information will be available on all pages of our site.
- Easy to view rate charts: A new website section was created that contains charts for current rates being reviewed and recent rates that have been approved or disapproved. For now, staff will manually extract data from the new AFMC developed application and insert the rate data into the charts. In the future, this process will be automated.

In addition to these updates, Rate Review purchased a content management system which will allow staff to edit content, upload documents and photos, and add links to video files or embed YouTube videos on any page of the website at any time. Additional information regarding Medical Loss Ratio was also posted in its own interior page with a list of frequently asked questions.

### **Operational/Policy Developments/Issues**

One of the biggest developments was CMS' approval of Arkansas' application to become a partnership state. HIRRD will now be able to focus on its responsibilities under that agreement. More specifically, we now have target dates for all rate filings and approval dates. Within the Arkansas Insurance Department, the Life and Health Division, the Exchange Planning Division and the Health Insurance Rate Review Division have begun discussions on the actions each Division must undertake to meet these deadlines. We have also discussed the need for outside actuarial services in the rate review process and are working on budgeting funds for this purpose.

# Health Insurance Rate Review Grant Program

## Cycle II Quarterly Report Template

---

### **Public Access Activities**

As mentioned in the Significant Activities in this report, the on-going development of the rate review website continues to be a platform to increase public awareness about rate review program and knowledge of general health care costs. In addition to the development of more robust website copy and content, we've also included a video which explains the rate review process and how the premium dollar is spent. The distribution of educational material such as our frequently asked question brochure continued this quarter at mass flu clinics and health fairs. The biggest obstacle in reaching consumers is the lack of knowledge regarding the Insurance Department as a whole. With social media platforms and continued development of the Rate Review and Department websites, the goal is continue reaching consumers and having the information available when the consumer seeks it.

### **Collaborative efforts**

Arkansas' application to become a partnership state has been approved by CMS. The Exchange Planning Division (EPD) within the Arkansas Insurance Department (AID) is responsible for planning and developing all activities under this partnership. The Health Insurance Rate Review Division (HIRRD) has been working with EPD on all matters involving rate review. The two divisions are currently discussing the systems that will be used to transfer rate review information to the Federally Facilitated Exchange for Arkansas. Though the rate review information will be generated by HIRRD, it will be transferred to the FFE by EPD.

Since the Arkansas Insurance Department must approve all rates prior to their use in Arkansas, there are no cases of issuers charging excessive or unjustified premiums. Accordingly, an issuer would not be barred from participating in the exchange for this reason. Additionally, HIRRD shares rental space with EPD within the AID building and makes its Media Center available to EPD, as needed, for meetings and webinars.

Rate Review has worked closely with the Information Systems staff at the Department in developing the AFMC application as well as lending expertise and help in the development and launch of the website. In addition, Rate Review has worked with various stakeholders and divisions within the Department to dispense information about the regulatory and communication strategy changes that continue to evolve regarding rate review enhancements.

### **Lessons Learned**

There continues to be an enormous lack of information in the state related to knowledge in both rate review and general health insurance. Opportunities to impact issues on a positive basis in both categories by using the HIRRD resources wisely continue to exist. HIRRD will endeavor to educate, inform, and involve critical constituent groups such as state leaders, legislators, and active affinity stakeholder groups. HIRRD will use the Media Center to its fullest capacity to accomplish these tasks.

## Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

---

### Updated Budget

HIRRD is well within its operating budget and projected budget for Cycle II. All budgets have been prepared and reviewed by an outside accounting firm specializing in health care finance. (*Exhibits 2,3,4*)

### RATE REVIEW GRANT Twelve Months Actual (December 2012) Cycle II

Category	Spent Projected	Budgeted	Variance
Salary	168,310	392,869	224,559
Fringe Benefits	50,366	98,217	47,851
Professional Services/Contracts	300,882	1,048,015	747,133
Supplies and Other Office Expenses	52,578	105,804	53,226
Travel	6,610	45,468	38,858
Rental	29,222	72,000	42,778
Capital	16,402	56,725	40,323
Other	-	55,000	55,000
<b>Total</b>	<b>624,371</b>	<b>1,874,098</b>	<b>1,249,727</b>

### Updated Rate Review Work Plan and Timeline

HIRRD is on schedule for the original Rate Review Work Plan and timeline. (*See Exhibit 1*)

### Data Collection and Analysis

One obvious trend during the quarter was the number of filings under the 10% threshold with only three requests over 10%. Two of these were denied and the third was reduced to a 5% increase. Four of the ten rate increase requests were for association business. As in the previous quarters, the association filings indicated that the loss ratios for this business were well below the 80% MLR requirements in previous years. Two rate requests were approved at a lower rate than requested. One was reduced from 16.2% to 5% and the other was reduced from 9.9% to 5%.

One challenge faced by the Department is the rate requests that are submitted for very small blocks of business. In one case, the rate filing only involved 1 covered life. In most of the cases we allowed the carrier to use national numbers to justify a rate increase. Arkansas does require all rate filings to be submitted through SERFF. However, without a database with a reporting capability, it is difficult to identify discrepancies in those filings. Our new database that is currently under development will allow us to better identify these discrepancies.

# Health Insurance Rate Review Grant Program

## Cycle II Quarterly Report Template

---

Of the 7 rate requests that were initially denied, two were negotiated down and five were outright disapproved. The five that were disapproved had projected loss ratios well below the MLR required levels.

### **Updated Evaluation Plan**

HIRRD's evaluation shall include, but not be limited to, formal weekly staff meetings in which key indicators, identified in the grant application work plan are discussed and assessed. Each AID RR staff member has specific areas of responsibilities and will be held accountable for appropriate progress. AID RR will follow the same successful methodology that it utilized during its Cycle I activities.

Additionally, the AID RR staff will continue to engage Commissioner Bradford, and the Exchange Planning Director on coordination and planning for Exchange Operations, especially the state responsibilities of AID Rate Review as specified in the ACA.

Finally, the AID HIRRD will meet or exceed all of the CFDA 93.511 "Evaluation" criteria by fully implementing and monitoring the very specific assessments, recommendations, and timelines contained in the excellent and comprehensive AON Hewitt reports. (See Exhibit 13). Further efforts will include engaging competent and professional third parties to evaluate AID HIRRD progress.

### **Quarterly Report Summary Statistics:**

Please provide the data as available below to include activities new this quarter and occurring to date with Rate Review Grant Funds:

- Total Funds Expended to date: 624,371
- Total Staff Hired (new this quarter and hired to date with grant funds): 0/4
- Total Contracts in Place (new this quarter and established to date): 3/8
- 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

# Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

---

## **Enclosures/Attachments**

Exhibit 1: Timeline

Exhibit 2: Budget

Exhibit 3: SF-425

Exhibit 4: SERFF Template

Exhibit 5: AFMC Scope of Services

# Health Insurance Rate Review Grant Program

## Cycle II Quarterly Report Template

---

### **PART II: HEALTH INSURANCE RATE DATA COLLECTION**

The data for Tables A-E (provided below) and the Rate Filing Detailed Data Elements will be submitted through the Health Insurance Oversight System (HIOS). The rate filing data can either be downloaded through the SERFF system or uploaded directly by the States (for states not employing SERFF) into the HIOS system. States *do not need* to also input the data into the programmatic narrative report template displayed here.

#### **Tables A-E: Rate Volume Tables**

*If using SERFF to import your data into the HIOS System, please discuss any discrepancies between the imported data and State records.*

**Table A. Rate Review Volume**

State	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
Number of submitted rate filings	12				
Number of policy rate filings requesting increase in premiums	10				
Number of filings reviewed for approval, denial, acceptance etc.	10				
Number of filings approved	5				
Number of filings denied	5				
Number of filings deferred	0				

## Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

---

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

<b>State</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Annual Total</b>
Product Type (PPO, HMO, etc.)	<b>ALL</b>				
Number of Policy Holders	<b>5,071</b>				
Number of covered lives affected	<b>8,614</b>				

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

<b>State</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Annual Total</b>
Product Type (PPO, HMO, etc.)	<b>ALL</b>				
Number of Policy Holders	<b>34</b>				
Number of covered lives affected	<b>270</b>				

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

<b>State</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Annual Total</b>
Product Type (PPO, HMO, etc.)	<b>N/A</b>				
Number of Policy Holders	<b>N/A</b>				
Number of covered lives affected	<b>N/A</b>				

## Health Insurance Rate Review Grant Program Cycle II Quarterly Report Template

---

**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.)	N/A				
Number of Policy Holders	N/A				
Number of covered lives affected	N/A				

**Rate Filing Detailed Data Elements:** Please refer to the Enclosure for the updated **Rate Filing Detailed Data Elements**. Please note all the data collected for the Rate Filing Detailed Data Elements will be collected at the level of the *rate filing*.

## **Exhibit 1**

### **AID RR Timeline**

- 01.03.13 Final AFMC Rate Review application demo and reporting discussion
- 12.18.12 Budget reallocation received and accepted by CCIIO
- 12.11.12 4<sup>th</sup> quarter report call with federal Rate Review staff
- 12.10.12 In house meeting with Commissioner Bradford and department staff to discuss legislation
- 12.06.12 AFMC Rate Review Application Demo and Reporting Discussion
- 12.03.12 CMS/CCIIO and AFMC, a joint decision was officially made to continue the HIRRD data contract with AFMC as presently constituted with the sole exception being the “scope of service” for Phase II. Phase II will start on or before the completion of Phase I (3.1.13).
- 11.29.12 Division attorney attended NAIC Fall meeting
- 11.02.12 PIO attended mass flu clinic on behalf of division to distribute educational materials
- 10.26.12 PIO attended mass flu clinic on behalf of division to distribute education materials
- 10.31.12 Phase II website bid distributed to three vendors
- 09.28.12 HIRRD website enhancements determined
- 09.28.12 “Healthcare Cost and Market Place Study” delivered to HIRRD
- 09.25.12 AID Inter-departmental Rate Review policy meeting
- 09.21.12 State Agency Leaders Meeting – Health Care Reform
- 09.21.12 AID issues Rule #103 Essential Health Benefits
- 09.13.12 AID Inter-departmental Meeting regarding BCBS small group rate filing
- 09.12.12 On-Site Staff training “Outlook Optimization”
- 09.11.12 State-wide Healthcare Symposium State House Convention Center
- 09.07.12 Data SERFF/Project Scope of Service Posted
- 09.04.12 HIRRD Rate Review Analysis - SERFF # ARBB – 128670146  
Blue Cross Blue Shield Small group
- 09.04.12 HIRRD Rate Review Analysis - SERFF # ARBB – 128670412  
Blue Cross Blue Shield Small group

**Exhibit 2**

**RATE REVIEW GRANT  
Twelve Months Actual (December 2012) Cycle II**

<b>Category</b>	<b>Spent Projected</b>	<b>Budgeted</b>	<b>Variance</b>
Salary	168,310	<b>392,869</b>	<b>224,559</b>
Fringe Benefits	50,366	<b>98,217</b>	<b>47,851</b>
Professional Services/Contracts	300,882	<b>1,048,015</b>	<b>747,133</b>
Supplies and Other Office Expenses	52,578	<b>105,804</b>	<b>53,226</b>
Travel	6,610	<b>45,468</b>	<b>38,858</b>
Rental	29,222	<b>72,000</b>	<b>42,778</b>
Capital	16,402	<b>56,725</b>	<b>40,323</b>
Other	-	<b>55,000</b>	<b>55,000</b>
<b>Total</b>	<b>624,371</b>	<b>1,874,098</b>	<b>1,249,727</b>

**RATE REVIEW GRANT**  
**Twelve Months Actual (December 2012) Cycle II**

Category	Spent Projected	Budgeted	Variance
Salary	168,310	<b>392,869</b>	<b>224,559</b>
Fringe Benefits	50,366	<b>98,217</b>	<b>47,851</b>
Professional Services /Contracts	300,882	<b>1,048,015</b>	<b>747,133</b>
Supplies and Other Office Expenses	52,578	<b>105,804</b>	<b>53,226</b>
Travel	6,610	<b>45,468</b>	<b>38,858</b>
Rental	29,222	<b>72,000</b>	<b>42,778</b>
Capital	16,402	<b>56,725</b>	<b>40,323</b>
Other	-	<b>55,000</b>	<b>55,000</b>
<b>Total</b>	<b>624,371</b>	<b>1,874,098</b>	<b>1,249,727</b>

	ACTUAL												Dec 2011 to	Budgeted Amount	Remaining Balance
	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	July 2012	August 2012	Sept. 2012	Oct. 2012	Nov. 2012	Dec. 2012			
Monthly Totals	1,247	9,906	41,498	11,015	16,787	93,504	32,866	49,214	31,515	83,598	104,478	148,742	624,371	1,874,098	1,249,727
Regular Salary	-	-	-	-	-	36,725	20,152	20,152	20,752	20,152	30,227	20,152	168,310	392,869	224,559
Total Fringe Benefits	-	-	-	-	-	9,706	6,407	6,361	6,493	6,471	8,567	6,361	50,366	98,217	47,851
Total Professional/Contract	-	8,215	1,346	3,825	11,623	31,261	2,188	17,002	250	52,166	61,270	111,735	300,882	1,048,015	747,133
Total Office Supplies and Other	918	1,691	21,877	2,052	1,601	12,825	1,043	1,333	689	1,573	1,383	5,591	52,578	105,804	47,630
Total Travel	329	-	1,873	116	577	-	-	1,336	301	206	-	1,872	6,610	45,468	38,858
Total Rental	-	-	-	5,022	2,986	2,986	3,075	3,031	3,031	3,031	3,031	3,031	29,222	72,000	42,778
Capital	-	-	16,402	-	-	-	-	-	-	-	-	-	16,402	56,725	40,323
Total Other	-	-	-	-	-	-	-	-	-	-	-	-	-	55,000	55,000



**Cycle 2 Period Q1 10/01/2012-12/31/2012****State: Arkansas****Generated: 01/22/2013 13:49:44****Submitted****HIPR Table A - Summary**

Rate Filings For This Period (A1)	12
Rate Increases For This Period (A2)	10
Reviewed (A3)	10
Approved (A4)	5
Denied (A5)	5
Deferred (A6)	0

**HIPR Table B (Individual) - Summary**

Product Type	Policy Holders	Covered Lives
EPO	0	0
FFS	0	0
HDHP	134	172
HMO	0	0
HSA	0	0
OTH	6	9
POS	3553	6180
PPO	1384	2262

**HIPR Table C (Small Group) - Summary**

Product Type	Policy Holders	Covered Lives
EPO	0	0
FFS	0	0
HDHP	28	258
HMO	0	0
HSA	0	0
OTH	0	0
POS	0	0
PPO	6	12

**HIPR Table D (Large Group) - Summary**

Product Type	Policy Holders	Covered Lives
EPO	0	0
FFS	0	0
HDHP	0	0
HMO	0	0
HSA	0	0
OTH	0	0
POS	0	0
PPO	0	0

**HIPR Table E (Small and Large Group) - Summary**

Product Type	Policy Holders	Covered Lives
EPO	0	0
FFS	0	0
HDHP	0	0
HMO	0	0
HSA	0	0
OTH	0	0
POS	0	0
PPO	0	0

# HIPR Rate Review Detail

SERFF Tracking #	Submitted Date	HIPR Table A						Disposition				Change Type	% Change Requested			% Change Approved			Implementation Date	
		A1	A2	A3	A4	A5	A6	Date	SERFF Disp	HHS Disp	State Review		Min	Max	Avg	Min	Max	Avg	Requested	Approved
UTAC-128624443	11/1/2012	Y	Y	Y	N	Y	N	11/13/2012	DISAPPROVE D	HHS Denied	Reviewed by Actuary	Increase	18	18	18				2/1/2013	
USLH-128796799	12/7/2012	Y	Y	N	N	N	N	1/17/2013	APPROVED	Not Reported	Reviewed- No Actuary	Increase	5	5	5				2/1/2013	
USLH-128774964	12/7/2012	Y	Y	N	N	N	N	1/17/2013	APPROVED	HHS Approved	Reviewed- No Actuary	Increase	5	5	5	5	5	5	2/1/2013	1/17/2013
UNAM-128712369	10/3/2012	Y	Y	Y	N	Y	N	10/4/2012	DISAPPROVE D	HHS Denied	Reviewed- No Actuary	Increase	10.9	10.9	10.9				12/6/2012	
UHLC-128721078	10/10/2012	Y	N	Y	Y	N	N	10/11/2012	APPROVED- CLOSED	HHS Approved	Reviewed- No Actuary	New Product	0	0	0				11/1/2012	11/1/2012
QUAC-128726888	10/26/2012	Y	Y	Y	Y	N	N	12/6/2012	APPROVED- CLOSED	HHS Approved	Reviewed by Actuary	Increase	9.9	9.9	9.9	9.9	9.9	9.9	1/1/2013	2/6/2013
ICCI-128718057	10/8/2012	Y	N	Y	Y	N	N	10/15/2012	APPROVED- CLOSED	HHS Approved	Reviewed by Actuary	Decrease	-11.9	-11.9	-11.9	-11.9	-11.9	-11.9	10/15/2012	12/1/2012
ICCI-128714955	10/4/2012	Y	Y	Y	N	Y	N	10/11/2012	DISAPPROVE D	HHS Denied	Reviewed by Actuary	Increase	8.5	8.5	8.5				10/11/2012	
CEUL-128777741	11/29/2012	Y	Y	Y	Y	N	N	12/5/2012	APPROVED- CLOSED	HHS Approved	Reviewed by Actuary	Increase	9	9	9	9	9	9	1/1/2013	2/1/2013
CELT-128759226	11/6/2012	Y	Y	Y	Y	N	N	12/6/2012	APPROVED- CLOSED	HHS Approved	Reviewed by Actuary	Increase	9.5	9.5	9.5	9.5	9.5	9.5	4/1/2013	4/1/2013
CELT-128699942	9/25/2012	N	N	Y	N	Y	N	10/31/2012	DISAPPROVE D	HHS Denied	Reviewed by Actuary	Increase	25	25	25				1/1/2013	
AMMS-128800060	12/7/2012	Y	Y	N	N	N	N	1/8/2013	DISAPPROVE D	HHS Denied	Reviewed by Actuary	Increase	9.9	9.9	9.9				4/15/2013	
AMMS-128761222	11/30/2012	Y	Y	Y	N	Y	N	12/6/2012	DISAPPROVE D	HHS Denied	Reviewed by Actuary	Increase	9.9	9.9	9.9				4/15/2013	

Detail data for filings in this color will not be sent to HHS. Only filings with HHS Status of Approved or Denied that were disposed within the period are sent.

Filing Mode	Company			Product Names	Market Segment	Policy Holders								
	Issuer ID	Name	CoCode			EPO	FFS	HDHP	HMO	HSA	OTH	POS	PPO	EPO
Review & Approval	0	United Teacher Associates Insurance Company	63479	UTA Individual Major Medical	Individual	0	0	0	0	0	1	0	0	0
Review & Approval	72217	United Security Life and Health Insurance Company	81108	Apex, Advantage Care, Protector	Small	0	15	0	0	48	0	0	84	0
Review & Approval	72217	United Security Life and Health Insurance Company	81108	Unlimited Access, Health Select, Preferred Value, Healthy Savings, Protector Plus	Small	0	1	30	0	6	0	0	13	0
Review & Approval	0	The Pyramid Life Insurance Company	68284	Comprehensive Major Medical	Individual	0	0	0	0	0	2	0	0	0
Review & Approval	22732	UnitedHealthcare Insurance Company of the River Valley	12231	PPO	Small	0	0	0	0	0	0	0	0	0
Review & Approval	70525	QCA Health Plan, Inc.	95448	QCA Health Plan, Inc.'s individual products, specifically, IQChoice (original product), IQChoice Select, and IQChoice Select Child Only	Individual	0	0	0	0	0	0	3553	0	0
Review & Approval	33030	Madison National Life Insurance Company, Inc.	65781	Group Major Medical Expense Policy	Small	0	0	7	0	0	0	0	6	0
Review & Approval	15540	Standard Security Life Insurance Company of New York	69078	Group Major Medical Expense	Small	0	0	21	0	0	0	0	0	0
Review & Approval	37620	Central United Life Insurance Company	61883	Major Medical	Individual	0	0	0	0	0	1	0	0	0
Review & Approval	62141	Celtic Insurance Company	80799	Adults 1.0, CeltiCare 1.0/2.0/2.1, CeltiCare 3.0/3.1, CeltiCare II, CeltiCare Preferred 5.0/5.1, Celtic Basic 1.0/2.1/2.2, HSA 2.0/2.1, HSA 3.0	Individual	0	0	67	0	0	1	0	171	0
Review & Approval	62141	Celtic Insurance Company	80799	Adults 1.0, CeltiCare 1.0/2.0/2.1, CeltiCare 3.0/3.1, CeltiCare II, Celti	Individual	0	0	67	0	0	1	0	171	0
Informational	62722	Golden Rule Insurance Company	62286	Gen 25	Individual	0	0	0	0	0	0	0	1042	0
Informational	62722	Golden Rule Insurance Company	62286	Gen 25	Individual	0	0	0	0	0	0	0	1042	0

Covered Lives							Trend Factors	Affected Forms				Benefit Change	Change Period
FFS	HDHP	HMO	HSA	OTH	POS	PPO		Block Status	New Policy Forms	Closed Block	Other Affected Forms		
0	0	0	0	1	0	0	These policy forms provide for the payment of actual me	Closed		75.791		Increase	Annual
27	0	0	86	0	0	151	Annual Trend: Utilization: 4.8% Cost: 4.7%	Closed		ABC-90, ADVANTAGE-04, PROPLUS-98		None	Annual
2	54	0	12	0	0	23	Annual Trend Utilization: 24.6% Cost: 9.4%	Open			ABC-2008APXAR, ABC-2008PRPAR, PROHDHP-2008, ABC-2008ADCAR, ABC-90, PROPLUS-98	None	Annual
0	0	0	0	3	0	0	Current claim levels have been projected assuming a 10.	Closed		G-91, et al		None	Annual
0	0	0	0	0	0	0		Open	UHIC_AR_Heritage Plus_Rev 8/12			None	Other
0	0	0	0	0	6180	0		Mixed	IQC (1-13) (for IQChoice (original product), IQCSelect (2013), and IQChoice Select Child Only (2013)	None	IQC (10-10) (original product), IQCSelect (2011), and Child Only (2011) (including amendments thereto)	None	Annual
0	11	0	0	0	0	12	0.79	Open			MNL MMP 0205	Decrease	Annual
0	247	0	0	0	0	0	0.79	Open			SSL MMP 0205, SSL GHP 0608	Increase	Annual
0	0	0	0	1	0	0	Medical Trend: 5% per annum through the end of the pr	Closed		N76XX		Increase	Annual
0	86	0	0	2	0	242	Trend assumptions to be used in future adjustment of ra	Open			18Plus-493I-AR (Adults 1.0), I5-541-00048-AR (CeltiCare 1.0/2.0/2.1), I5-543-00150-AR (CeltiCare 3.0/3.1), I5-592-00193 (CeltiCare II), I5-555-00229-AR (CeltiCare Preferred 5.0/5.1), I5-544-00159-AR (Celtic Basic 1.0/2.1/2.2), I5-592-00193 (HSA 2.0/2.1), I5-598-00231 (HSA 3.0)	None	Quarterly
0	86	0	0	2	0	242	Trend assumptions to be used in future adjustment of ra	Open			18Plus-493I-AR (Adults 1.0), I5-541-00048-AR (CeltiCare 1.0/2.0/2.1), I5-543-00150-AR (CeltiCare 3.0/3.1), I5-592-00193 (CeltiCare II), I5-555-00229-AR (CeltiCare Preferred 5.0/5.1), I5-544-00159-AR (Celtic Basic 1.0/2.1/2.2), I5-592-00193 (HSA 2.0/2.1), I5-598-00231 (HSA 3.0)	None	Quarterly
0	0	0	0	0	0	1778		Open			G258102009, G25HS12009, G25SVR2009 and G25CPY2009	None	Annual
0	0	0	0	0	0	1778		Open			G258102009, G25HS12009, G25SVR2009 and G25CPY2009	None	Annual

Member Months	New Rate Annual \$			New Rate Projected		Prior Rate Annual \$			Prior Rate Total		Type of Insurance (TOI)	Sub-type of Insurance (SubTOI)
	Min	Max	Avg	Earned Prem	Incurred Clms	Min	Max	Avg	Earned Prem	Incurred Clms		
12	1441.39	1441.39	1441.39	13294	29	1221.51	1221.51	1221.51	14948	46	H16I Individual	H16I.005C Individual - Other
3910	64	3072	423	1249162	781982	61	2926	403	1362887	727399	H16G Group	H16G.001C Any Size Group - Other
1080	54	570	181	195384	95566	51	543	172	169209	42680	H16G Group	H16G.001C Any Size Group - Other
12	1939	1939	1939	37430	30667	1748	1748	1748	40378	32964	H16I Individual	H16I.005C Individual - Other
0	155.85	1183.29	329.91	14784104	11262759	0	0	0	0	0	H16G Group	H16G.003G Small Group Only - Other
74160	69	508	165	12948000	10902000	63	462	150	11130000	8905000	H16I Individual	H16I.005B Individual - Point-of-Service (POS)
372	229	1007	500	185933	130153	260	1143	568	211057	55873	H16G Group	H16G.003A Small Group Only - PPO
451	315	793	438	197462	138224	290	731	404	182041	86768	H16G Group	H16G.003A Small Group Only - PPO
12	343.38	343.38	343.38	4194.51	0	315.03	315.03	315.03	3848.18	0	H16I Individual	H16I.005C Individual - Other
2506	187	1172	275	692453	822422	171	1070	251	632628	797293	H16I Individual	H16I.005A Individual - Preferred Provider (PPO)
2506	214	1338	314	790062	913928	171	1070	251	632628	797293	H16I Individual	H16I.005A Individual - Preferred Provider (PPO)
23696	22	1667	181	2553270	1914893	20	1667	164	3147567	2087921	H16G Group	H16G.001C Any Size Group - Other
23696	22	1667	181	2553270	1931408	20	1667	164	3147567	2100982	H16G Group	H16G.001C Any Size Group - Other

## **Exhibit 5**

### **(AFMC narrative for the first quarter Cycle II Report)**

#### **Purpose**

The purpose of this project is to build an innovative application to automate the Arkansas Insurance Department (AID) Rate Review process. Currently, the rate review process for the AID is time-consuming due to AID staff reviewing multiple documents and data elements to develop a well-researched recommendation to approve, deny, or adjust a rate increase request. The documents and data elements are made up of separate documents from the System for Electronic Rate and Form Filing (SERFF) application, various templates provided by actuaries and consultants, and information from HIOS and Centers for Medicare and Medicaid Services (CMS).

The application being developed will provide a streamlined and automated solution using data and spreadsheets from SERFF and standardized templates. A new spreadsheet will be developed, with actuarial assistance, to aid in providing additional information to the application. Insurance companies will continue to enter rate filing information in SERFF along with Excel<sup>®</sup> spreadsheets required by the AID. The new application will use this data, along with data entered by AID staff, to assist the AID and actuarial consultant in approving, denying, or adjusting a rate increase/decrease while providing expedited reports to assist in this effort.

#### **Project Scope**

Based on meetings with the AID and documentation received, the outcome of this project will be an application in which the AID can use to manage, perform, and analyze all Major Medical Individual and Small Group rate filings submitted by insurance companies for rate increases affecting residents of the State of Arkansas. Currently, the AID has a time consuming process in which they must review multiple documents and pieces of data to develop a recommendation to approve or deny a rate increase.

This recommendation is provided to Jay Bradford, Arkansas Insurance Commissioner, who then approves, denies, or adjusts the rate increase. This application will facilitate the formation of that recommendation by:

- Collecting and analyzing all data elements in one interface, while performing needed calculations.
- Improving, automating, and streamlining the current rate review process.
- Reporting summary or specific information based on needs and to be determined at a later time. Interfacing with the AID Consumer website to provide information regarding rate filing to citizens of the State of Arkansas.
- Developing trend information.
- Providing ability to interface with AID IT.
- Storing information for historical use and reporting.
- Using standardized forms required to be submitted by Insurance Companies

#### **History**

The project analysis began in late June of 2012 after initial documentation was received from the HIRRD. Several meetings were conducted to review and clarify outstanding questions. The project contains 7 phases: Requirements Gathering, Technical Platform Assessment and

Implementation, Design/Build, Documentation and Training, User Acceptance, Implementation, and Technical Support.

The Requirements Phase consisted of reviewing documentation provided by HIRRD and external sources. AFMC reviewed the current AID process/procedures and spent time reviewing SERFF and its API. AFMC reviewed several solutions provided to other States and worked with various actuarial consultants to analyze needs and determine requirements. A key component of this phase was the identification of the standardization of Preliminary Justification Form Part III. By having this standardized, AFMC will be able to extract information from this form submitted by Insurance companies to help the AID perform their analysis on each filing. AFMC and HIRRD agreed and approved the Project Requirements Document 10.25.2012, even though the Preliminary Justification Form Part III has not been finalized.

The Technical Platform Assessment and Implementation Phase consist of evaluating infrastructure needs and obtaining the necessary software/tools required to build the application. This includes the selection and purchase of Business Objects reporting tool. The Business Objects suite is a comprehensive solution that will create, schedule, configure, and run reports as needed. The licenses also will allow AID information technology staff to build additional reports as needed for future analysis.

The Design/Build Phase is where most of the development will occur and contains 3 sub phases: SERFF Data Extraction Service, Web Application Development, and Report Development. The SERFF Data Extraction Service involves building a service to interface with the SERFF API in order to pull data. This sub phase also includes development of a service to extract data from the Microsoft Excel standardization of the Preliminary Justification Form Part III. The Web Application Development sub phase will take SERFF data and provide an interface where this information is viewable so a user can perform Rate Review. The application will display information for each filing, but will also incorporate historical information for trending and to aid in reviewing filings.

Periodically, it is required that AFMC perform an Application Development Review task to demonstrate functionality and ensure the project is progressing as the AID intends. The next Application Development Review was held on December 6<sup>th</sup>, 2012. The Report Development sub phase will include the definition and development of reports required by the AID. Included in the Design/Build Phase is the AFMC Internal End-to-End testing to ensure the application is performing correctly.

Testing occurs as the project is progressing, but this testing ensures that there are no gaps as AFMC extensively tests the entire application, from start to finish. This phase closes after a final review with the AID and signoff of the Application Development Agreement Document.

The Documentation and Training Phase consists of development of a User Guide to show functionality of the application and is a reference for users. Instructor Led training sessions will show users how to use the application and demonstrate additional functionality added since the last Application Development Review. After the Instructor Led Training, this phase will close.

During the current User Acceptance Testing Phase, the AID/HIRRD will have hands-on use of the application in a test environment for a two week period. The participants will be able to run through various scenarios to ensure the application meets their needs. They will test all components and provide feedback to AFMC. If changes must be made to the application, contingency time has been built into the project to account for this. When the HIRRD is satisfied with the application, this phase will close.

The Implementation Phase is the last piece before the application is live. In this phase, AFMC will install software on the AID servers to ensure the website and components are working correctly. It will include the registration of the domain, so it can be accessed via the web by AID users. Once this is complete, the application will be live. The estimated 'Go Live' date is

currently on February 11<sup>th</sup>, 2012.

Finally, the Technical Support Phase consists of On Site Support after the 'Go Live' date to observe the use of the application and answer any questions by users. This phase will also include project close out tasks such as conducting a Post Implementation Assessment, developing a 'Lessons Learned' document, and conducting a final Project Closeout meeting. The Project Closeout is scheduled to be on February 21<sup>st</sup>, 2012.

### **UDCT (Unified Data Collection Template)**

In late November of 2012, HHS/CMS announced the mandated use of the new Unified Data Collection Template. The new Data Collection Template would replace Part I (Rate Summary Worksheet) and Part III of the Preliminary Justification Form. This Data Collection Template is required to be submitted with all new and increase rate filings. This event caused the total redesign of Phase II.

The purpose of this unified template is to create a single data collection template that can be used by states and multiple groups within CMS for review of proposed rate increases, new market rating reforms, and market wide financial management reforms. This template will collect information needed to effectively review the impact of a single risk pool, reinsurance, risk-adjustment and other market-wide rating reforms and how issuers' price proposed rate increases. This new template will allow CMS and states to identify trends in rate increases across markets and evaluate the impact these trends have on consumers as required by the monitoring requirement. Finally, this new template will increase consistency and limit redundancies in issuer reporting and will be required to be submitted identically to both CMS and states.

In summary, the proposed UDCT regulation requires the submission of a standardized Part III, Actuarial Memorandum. Currently, the Part III of a Rate Justification Submission is only submitted when CMS is conducting the effective rate review.

This proposed regulation modifies the Part III to be an Actuarial Memorandum that is submitted every time a Part I, Unified Rate Review template is submitted. The purpose of the Actuarial Memorandum is to provide the reasoning and assumptions that support the data submitted in Part I, as well as to provide actuarial attestation.

### **Conclusion**

The final product of this proposal will be a simplified and expedited rate review process that is thorough, punctual, accurate, transparent, protective to the rate payer, compliant with all applicable laws, rules, regulations, and automated to the greatest extent possible.