



Illinois Department of Insurance

Legislative Affairs Office

PAT QUINN
Governor

Michael T. McRaith
Director
Department of Insurance

Support HB 1501 (Harris)

HB 1501: Health Insurance Rate Review

- HB 1501 would, for the first time in Illinois, protect individuals and families against unwarranted and exorbitant premium increases for health insurance.
- The bill requires all insurers and HMOs to report to the Department of Insurance premium rates and information justifying the rates for all individual and group health plans.
- HB 1501 requires the Department to disapprove premiums that are excessive, inadequate, or unfairly discriminatory.
- HB 1501 establishes a hearing process for insurance companies and consumers who object to a decision by the Department to approve or disapprove any premium rate.

Background

- Leading health insurers have accumulated a combined 2010 surplus of **\$28,353,715,566**, even while individuals and families in Illinois have paid a cumulative average rate increase of **181.8%** since 2005.
- Individuals, families, and small employers in Illinois who are fortunate enough to obtain an affordable offer when first purchasing a health insurance policy often face unaffordable premium increases upon renewal.
 - The "[Individual Major Medical Health Policy Rate Filing Report](#)" published by the Department of Insurance reveals base rate increases of up to **80%** dating back to 2005.
- Current Illinois law:
 - Does not restrict health insurance premium increases;
 - Does not vest in the Department any rate review or approval authority;
 - Gives small businesses (2-50 employees) nominal protection against rate increases, but small employers remain vulnerable to unpredictable and dramatic increases at renewal.
- **30** U.S. states have the authority to approve or deny premium rates for individual and/or group health insurance coverage, including the nearby states of Indiana, Iowa, Minnesota, Tennessee, and Ohio.

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Q: WHY SHOULD WE REGULATE HEALTH INSURER PREMIUMS IN ILLINOIS?

A: TO PROTECT PATIENTS, FAMILIES AND EMPLOYERS FROM UNREASONABLE RATE INCREASES.

1. SURPLUS DATA FOR MAJOR ILLINOIS HEALTH INSURERS (from public financial statements)

By premium volume, the five insurers below account for 70-80% of the fully-insured health insurance market in Illinois.

	Total Adjusted Capital (Surplus)¹	
	2010	2009
Aetna	\$5,546,400,597	\$6,218,508,963
Coventry	\$1,474,449,538	\$1,380,277,544
Health Care Service Corporation (BCBS-IL)	\$7,793,536,383	\$6,692,380,331
Humana	\$4,006,105,475	\$3,366,172,031
United HealthCare	\$9,533,223,573	\$8,201,095,884

SOURCE: 2010 Annual Statement filed with the Department of Insurance and the National Association of Insurance Commissioners (NAIC) pursuant to Section 136 of the Illinois Insurance Code. 215 ILCS 5/136.

2. HEALTH INSURANCE PREMIUM INCREASES IN ILLINOIS – INDIVIDUAL MARKET

Full report of rate filings available on the Department’s website at www.insurance.illinois.gov

	2005	2006	2007	2008	2009	2010
Number of Rate Filings	60	42	56	58	83	34
Average Change in Base Rate	+ 21.1%	+ 20.1%	+ 20.1%	+ 18.8%	+ 14.8%	+ 18.3%
Median Change in Base Rate	+ 20%	+ 16%	+ 20%	+ 18%	+ 13%	+ 14.7%
Medical Inflation²	+4.2%	+4.0%	+4.4%	+3.7%	+3.2%	+3.4%

Average and median rate change information describes changes in a plan’s “base rate.” A base rate is a starting point for a premium that applies before other factors—such as a person’s health status, geographic location, age, and gender—are taken into account. ***Individuals may experience rate increases that are much greater than the increase in the plan’s base rate as shown above.***

3. STATES WITH PRIOR APPROVAL AUTHORITY FOR HEALTH INSURANCE PREMIUM RATES

Alaska, Arkansas, Colorado, Connecticut, District of Columbia, **Florida**, Hawaii, **Indiana**, Iowa, **Maine**, Maryland, Massachusetts, Minnesota, **Nevada**, New Hampshire, **New Jersey**, **New Mexico**, New York, North Carolina, **North Dakota**, **Ohio**, Oregon, **Pennsylvania**, Rhode Island, **South Carolina**, **Tennessee**, Vermont, Washington, West Virginia.

¹ *Total Adjusted Capital*: assets minus liabilities (the equivalent of retained earnings, in accounting terms, plus a statutorily required minimum capital and surplus amount). 215 ILCS 5/35A-5.

² Year-to-year increase in the annual average medical care component of the Consumer Price Index for All Urban Consumers (CPI-U). U.S. Department of Labor, Bureau of Labor Statistics. Available at <http://www.bls.gov/cpi/>.