

**Engrossed 2009 Senate Bill 2306** dilutes and removes the authority of the Insurance Commissioner to regulate health insurance in North Dakota, maintain a competitive marketplace for companies and protect consumers.

Note that the amendments to SB 2306 were not presented to the Insurance Department for comment prior to the committee acting.

This bill will:

- Increase **health insurance premiums for businesses and consumers.**
  - **Decrease competition** in the North Dakota health insurance market.
  - **Provide an unfair advantage** to one company.
  - **Disadvantage other companies.**
1. **Premium increases** would be granted **to only BCBS** if resulting RBC ratios are between 600% - 750%.
    - Risk based capital (RBC) defines the amount of required capital that an insurance company must maintain.
    - RBC ratios are calculated for the whole company. Premium increases are requested for a particular product like individual or group policies.
    - Beginning in 2001 **every premium increase** requested by BCBS would have occurred (see attached chart).
    - **No other company would enjoy this advantage** or has raised this as an issue.
  2. SB 2306 **shortens** Department premium increase review time from 60 days to 45 days.
    - Reducing the review time will be impossible with existing Department staff and a **fiscal note** should be prepared.
    - This will reduce the **thoroughness** of reviews and may result in more denials and legal proceedings.
    - Filings from **other companies** such as life, annuities, long term care and Medicare supplement would have to wait.
    - **No other company** has expressed this as a concern.
  3. The bill appears to require that **only actuarial data** and analysis can be used to disapprove a premium increase.
    - The premium increase decision will not be based on **all relevant factors.**
    - Other factors include past increases; the impact on policyholders; and affordability.
    - Taking these out of the review process will result in **higher premiums.**
    - **No other company** has expressed this as a concern.
  4. Hearings **must be held** within 45 days; the decision of the hearing officer must be made within 30 days; and the decision is **final.**
    - Currently, the hearing officer makes only a recommendation to the Commissioner.
    - The **Legislature has never** taken this authority away from an agency.
    - It shifts the **burden of proof** from the company, where it is now, to the regulator.
    - **No other company** has expressed this as a concern.
  5. **Premiums** are “inadequate” if loss ratios exceed 90% for group, and 85% for individual.
    - Currently, premium increases are not granted solely on the basis of loss ratios.
    - Premium increase requests by companies with a projected loss ratio (claims paid/premiums received) in excess of 100% have not necessarily been granted because of the factors described earlier.
    - **No other company** has raised this as a concern.
  6. The premium increase would **automatically go into effect** until the next filing.
    - This will cause **higher premiums** for consumers for longer periods of time.
    - Currently, the Department can reverse the automatic *deemed* rate through a hearing.

## Blue Cross Blue Shield of North Dakota

### Rate increases and financial results

| Year      | Rate increases |           |            |          | Financial results        |                   |               |           |
|-----------|----------------|-----------|------------|----------|--------------------------|-------------------|---------------|-----------|
|           | Group          |           | Individual |          | Annual underwriting gain | Annual net income | Total surplus | RBC ratio |
| Requested | Approved       | Requested | Approved   |          |                          |                   |               |           |
| 2001      | 14.8%          | 12.5%     | 0.0%       | 0.0%     | \$17.0                   | \$23.8            | \$137.3       | 623%      |
| 2002      | 13.8%          | 11.9%     | 10.9%      | 10.2%    | \$17.0                   | \$17.7            | \$137.2       | 564%      |
| 2003      | 11.2%          | 9.9%      | 10.5%      | 8.9%     | \$21.2                   | \$26.6            | \$187.8       | 703%      |
| 2004      | 10.8%          | 8.5%      | 8.5%       | 4.2%     | \$6.5                    | \$18.6            | \$200.6       | 692%      |
| 2005      | 6.0%           | 6.0%      | 13.2%      | 10.4%    | \$30.3                   | \$38.5            | \$222.7       | 722%      |
| 2006      | 10.8%          | 7.0%      | 4.2%       | 2.9%     | -\$17.1*                 | \$3.9*            | \$233.3       | 666%      |
| 2007      | 17.3%          | 9.9%      | 10.0%      | 9.4%     | -\$3.1                   | \$18.0            | \$236.3       | 629%      |
| 2008      | 14.9%          | Denied**  | 14.8%      | Denied** |                          |                   |               |           |

\*Reflects \$26.5 million premium refund

All monetary amounts in millions.

\*\*The requested 14.8% increase was denied on July 11, 2008.

BCBS has requested an administrative hearing.

\*\*The requested 14.9% increase was denied Oct. 10, 2008.