**September**
**2012**

# Comments on the PacificSource Health Plans Proposal to Increase Small Group Health Insurance Rates Effective January 2013

## Filing # PCSR-128627276

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**Health Insurance Rate Watch**
*A Project of OSPIRG Foundation*

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The authors bear responsibility for any remaining factual errors. The views expressed in this report are those of the authors, and do not necessarily reflect the views of our funders, advisory committee, or those who provided analysis and review.

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## Executive Summary

PacificSource Health Plans is proposing a rate increase on small business plans that will affect over 36,000 Oregonians, with an average increase of 8.62% and ranging up to 14.5% for some customers. If approved, the increase would go into effect January 1, 2013.[1]

The main reason given for this increase is the insurer's projection that medical and prescription drug costs will increase at an annual rate of 9%, after medical costs reportedly increased by 8.7% and prescription costs reportedly increased by 12.9% in the previous year.

OSPIRG Foundation worked with the actuarial firm AIS Risk Consultants to analyze the rate filing. We examined the insurance company's justification for the increase, the financial position of the insurer, and how the rate increase would impact Oregonians if it were approved. Our staff and consulting actuary also reviewed additional information made available by PacificSource.[2]

After careful analysis of PacificSource's filing and this additional information, we are concerned that PacificSource has not provided sufficient information to justify this rate increase. This is troubling, given the significant impact this rate increase would have on tens of thousands of enrollees if approved.

**Key Findings:**

- **If approved, the impact of this increase will be significant: Over 15,000 Oregonians would see a premium increase of 10% or more.** This represents approximately 41% of PacificSource's small group market customers.

- **PacificSource's projection of 9% medical and prescription drug cost annual trends has not been justified.** The data made available by the insurer is widely variable, but appears as though it may support a lower trend. PacificSource has stated that its projections are based on trends for its entire Oregon book of business, but has not supplied any data to support these projections.

- **It would be difficult for a business owner to determine from the filing what his or her rate increase would be.** PacificSource is proposing to increase rates as much as 14.5% on some businesses, and proposing to decrease rates by as much as 10.3% on others, but businesses owners would have to wade through pages of tables and conduct complex calculations to determine how this filing will affect their own premium rates, and why.

- **When it comes to reducing costs and improving the quality of care, it is not clear that PacificSource is doing all it can**. While PacificSource reports a number of encouraging initiatives to

[1] PacificSource received approval for a rate increase for this group of plans earlier this year, a 4.2% change effective as of July 1, 2012. PacificSource had initially requested an increase of 5.6%, but DCBS approved the lower value. OSPIRG Foundation submitted comments and analysis on that filing. *See* DCBS, Rate Filing Decision Summary – PacificSource, Small Group Non-Grandfathered Health Insurance, July 19, 2011, *at* http://www.oregonhealthrates.org/index.cfm?B64=nZzVWZjFGdvljbo12bl1TJFJ2cvhyd1UmRvR2Yn1XbmQGdft3cmJ2XpZGbul1Zk92b9MTMxcwM%3D%3D

[2] As part of this process, OSPIRG Foundation submitted questions to the insurer on September 14. PacificSource provided responses on September 24.

contain costs in ways that improve quality of care, the insurer does not provide enough data to meaningfully evaluate its progress in this area.

- **It's good news that PacificSource has set a medical trend goal.** In response to OSPIRG Foundation questions, PacificSource revealed that they aim to reach a target medical trend rate of two percent above the medical Consumer Price Index (CPI) in three to five years. The insurer is to be applauded for setting a concrete goal in this important area. However, more information is needed to explain how the insurer chose that specific target and timeline. This is important given the difficulty businesses have affording rate increases currently, and the fact that in 3-5 years, rate increases based on trend of medical CPI + 2% will likely be unaffordable.

- **PacificSource's projections of increased enrollment may be unrealistic.** The insurer's projection of an increase of 3,000 members is not supported with quantitative data. The proposed increase may make PacificSource plans unaffordable for many Oregon small businesses. A decline in enrollment could make it more difficult for PacificSource to avoid large rate increases in the future, as this could lead to healthier groups leaving, resulting in escalating costs over time as the insured population becomes less healthy.

After careful analysis of PacificSource's filing, we are concerned that the insurer has not provided sufficient information to justify this rate increase. Before deciding to approve or deny this rate request, we urge the Insurance Division to scrutinize the details of this filing very carefully, and require PacificSource to provide all documentation necessary to evaluate their proposal, and to implement a concrete, achievable plan to contain costs for Oregon small businesses.

### Key features of the proposal to increase premium rates

| | |
|---|---|
| State tracking # for this filing | PCSR-128627276 |
| Name of health insurance company | PacificSource Health Plans |
| Type of insurance | Small Group Health Plans (small businesses) |

| **Proposed Rate** | |
|---|---|
| Average rate increase | 8.62% |
| Minimum rate increase | -10.30% |
| Maximum rate increase | 14.50% |
| Number of Oregonians affected | 36,821 |
| Anticipated enrollment if approved | 39,821 |
| % premium to be spent on medical costs | 83.70% |
| % premium to be spent on administrative costs | 14.30% |
| % premium to be spent on profits | 2.00% |

| **Basis for increase** | **Projected trend** |
|---|---|
| Medical | 9.00% |
| Rx | 9.00% |

| **Insurer's history of rate increases** | |
|---|---|
| 2008 | 20.27% |
| 2009 | 9.23% |
| 2010 | 13.60% |
| 2011 | 4.28% |
| 2012 | 4.22% |

**Enrollment**

| **Year** | **Number of Members** |
|---|---|
| 2005 | 47,498 |
| 2006 | 45,299 |
| 2007 | 42,097 |
| 2008 | 33,012 |
| 2009 | 35,669 |
| 2010 | 32,919 |
| 2011 | 35,224 |

### Insurer information

| **Basic Information** | |
|---|---|
| For profit or non-profit: | Non-profit |
| State domiciled in: | OR |
| Parent company: | N/A |

| **Insurer's financial position** | |
|---|---|
| Year | 2011 |
| Surplus | $125,700,000 |
| Investment earnings | $5,500,000 |

**Surplus History**

| **Year** | **Amount in Surplus** |
|---|---|
| 2005 | $112,814,731 |
| 2006 | $123,513,415 |
| 2007 | $124,499,606 |
| 2008 | $93,239,396 |
| 2009 | $107,075,852 |
| 2010 | $114,107,602 |

## Discussion of Rate Filing

In each of the sections below, we discuss key questions about the rate filing and its impact on Oregonians.

In our detailed discussion of the rate filing, we provide analysis of information provided in three stages of the rate review process: (1) The initial rate filing, (2) supplemental information from the insurer in response to questions from DCBS, and (3) supplemental information from the insurer in response to questions from OSPIRG Foundation. All of this information is publicly available on the Oregon Insurance Division's rate review website, [www.oregonhealthrates.org](www.oregonhealthrates.org).

## Impact on Oregonians

### Range of Actual Rate Hikes

If PacificSource's proposal is approved, over 15,000 Oregonians would see a premium increase of 10% or more. This represents approximately 41% of PacificSource's small group market customers.

With a range of premium impact from 14.5% to -10.3%, PacificSource's proposal will have very different impacts on different businesses. PacificSource supplied the following breakdown to illustrate the range of impacts across its 36,821 customers:

| Impact % | Members | Membership % |
|---|---|---|
| <-2% | 67 | 0.2% |
| -2%-0% | 897 | 2.4% |
| 0%-2% | 1,097 | 3.0% |
| 2%-4% | 2,533 | 6.9% |
| 4%-6% | 2,101 | 5.7% |
| 6%-8% | 6,065 | 16.5% |
| 8%-10% | 8,939 | 24.3% |
| 10%-12% | 12,524 | 34.0% |
| 12%-14% | 2,531 | 6.9% |
| 14%-16% | 67 | 0.2% |

While seeing the range of impact is helpful to form an overall picture, for the transparency of rate filings to have meaning for most Oregonians, they need to be able to see what the rate increase would mean for them, and understand the factors that drive one business to see a higher or lower rate increase than another. The average small business owner or employee would find it extremely difficult and time-consuming to determine the impact of the current filing on the premium for their business, as doing so would require wading through pages of tables and conducting complex calculations.

In response to questions, PacificSource also clarified that the businesses most likely to see large rate increases are groups in Eastern Oregon renewing in the 3rd and 4th quarters of 2013, whereas groups receiving rate decreases or low rate increases are generally those groups in the Bend Area renewing in the 1st and 2nd quarters of 2013. This information is helpful for businesses in those geographic areas, but more is needed for business owners and their employees to understand impact of the proposed rates on their bottom line.

**Affordability**

*Economic climate in Oregon*

The rising cost of health insurance is a top concern for small businesses across the state. As part of the rate review process, DCBS closely scrutinizes the impact proposed rate changes will have on the affordability of health benefit plans.

It is important to put the cost of health insurance into the current economic context. Oregon was hard hit by the recession, and continues to experience high unemployment. Oregon median income has been fairly stagnant since 2005:

**Economic Indicators**

| | Annual CPI increase (Portland-Salem OR-WA) | Unemployment Rate - OR | Median Household Income - OR | Median Income - individual* | Median Income - two person household* | Median Income - family of 3+* |
|---|---|---|---|---|---|---|
| 2005 | 2.56% | 6.20% | 44,159 | 22,963 | 34,886 | 60,498 |
| 2006 | 2.60% | 5.30% | 47,091 | 24,487 | 37,202 | 64,515 |
| 2007 | 3.71% | 5.10% | 50,236 | 26,123 | 39,686 | 68,823 |
| 2008 | 3.28% | 6.50% | 51,727 | 26,898 | 40,864 | 70,866 |
| 2009 | 0.12% | 11.10% | 48,325 | 25,129 | 38,177 | 66,205 |
| 2010 | 1.25% | 10.80% | 46,560 | 24,211 | 36,782 | 63,787 |

*Consumer Profiles*

Based on the information in the rate filing, we calculated the premium rate and potential out-of-pocket costs the following hypothetical small businesses and their employees would experience. To assess affordability, we then compared these costs to the median income in Oregon for individuals, two-person households, and families.

The federal Affordable Care Act uses 8% of income as an affordability threshold. While the Affordable Care Act's provisions have yet to be fully implemented, the 8% figure provides a helpful baseline against which to evaluate affordability.[3]

As can be seen from the table below, there is great variation in the premiums PacificSource enrollees can expect to pay depending on the specific product they choose and the area of the state in which the business is located. For small businesses in the lowest-cost areas of the state, the lowest-benefit plans have employee-only premiums that are just over 8% of a typical Oregonian's income, though the highest-benefit products quickly grow less affordable. For those purchasing family or employee plus spouse coverage, premiums at even the lowest benefit plan are substantially higher than 8%.

[3] Starting in 2014, if a person must pay more than 8% of his or her income for health care premiums and out of pocket costs, then that coverage is considered unaffordable and the person will be exempt from the individual coverage requirement.

With deductibles and other out-of-pocket costs considered in addition to premiums, the cost of coverage under these plans would be difficult for many Oregon small businesses and their employees to manage.

**Small Business Profiles**

| | **Eastside Bikes**<br>Four employee<br>Average age = 27<br>Location: Linn County<br>**Employee Rate** | **Al's Garage**<br>Eight employees,<br>Average age = 36<br>Location: Douglas County<br>**Employee & Spouse Rate** | **ABC Accounting**<br>Forty employees<br>Average age = 50<br>Location: Coos County<br>**Family Rate** |
|---|---|---|---|
| **Lowest benefit plan plus Rx**<br>Preferred CoDeduct Value 7500+50/70% | **$207.68** | **$550.89** | **$1,130.09** |
| **Mid-level benefit plan plus Rx**<br>Preferred CoDeduct Value 750+35 | **$349.84** | **$935.94** | **$1,919.99** |
| **Highest benfit plan plus Rx**<br>Preferred 15/200D | **$542.11** | **$1,456.70** | **$2,988.30** |

| | | | |
|---|---|---|---|
| **8% monthly median income** | **$161.41** | **$245.22** | **$425.25** |

The lowest benefit plan we examined was the Preferred CoDeduct Value 7500+50/70%. The mid-level benefit plan we examined was the Preferred CoDeduct Value 750+35. The highest benefit plan we examined was the Preferred 15/200D plan. For all these plans, we used the Tiered Rx 15/30/50 plan for prescription drug benefits. Details of these plans, and the potential out-of-pocket costs, including co-pays and deductibles, are shown in the chart below.

| | **Preferred CoDeduct Value 7500+50/70%** | **Preferred CoDeduct Value 750+35** | **Preferred 15/200D** |
|---|---|---|---|
| **Deductible (per person / per family)** | $7500 / $22,500 | $750 / $2250 | None |
| **Copay** | $50 | $35 | $15 / $200 inpatient hospital per day |
| **Co-insurance (in network / out of network)** | 70% / 50%-70% | 80% / 50%-80% | 100%/80% for some services |
| **Out-of-Pocket Limit -- In network (per person / per family)** | $6000 / $12,000 | $3500 / $7000 | $2000/$4000 |
| **Out-of-Pocket Limit -- Out of network (per person)** | $8000 | $5500 | $5000 |
| **Potential annual exposure for an individual, in addition to premium** [3] | 21,800.00 | 9,960.00 | 7,690.00 |
| **Potential annual exposure for a family, in addition to premium** [4] | 42,800.00 | 14,960.00 | 9,690.00 |

[3] Assumes individual meets the deductible and both in-network and out-of-network out-of-pocket limits, and pays the co-pay six times over the course of the year

[4] Assumes the family meets the family deductible and the the family in-network out-of-pocket limit, plus one family member meets the out-of-network out-of-pocket limit, and pays the co-pay six times

With medical debt a leading cause of personal bankruptcy in the United States[4], the impact of high potential out-of-pocket costs on Oregonians who experience health problems is important to consider when evaluating the economic hardship imposed by premium rate hikes. While out-of-pocket cost structures are not subject to rate review, we urge DCBS to take these high costs into account when evaluating the overall affordability of PacificSource's small group health insurance products as part of the current filing.

## Examining the Justification for the Rate Increase

### Medical Trend Projections

PacificSource's projection of 9% medical and prescription drug cost annual trends has not been justified. PacificSource has stated that its projections are based on trends for its entire Oregon book of business, but has not supplied any data to support these projections.

The medical trend data supplied by PacificSource in the filing showed wide variations over time. The last five data points, from January 2012 to May 2012, showed changes compared to the prior year ranging from -1.8% to +1.7%, with an average value of -0.4%. PacificSource acknowledged the variation of the data in response to OSPIRG Foundation questions, stating "As you point out, the historical trend for this block fluctuates significantly." PacificSource further reports that it does not use that data and that the data provided in the filing are not reliable, stating in response "We do not use the small group historical trend to set our pricing trend assumption" and "This trend exhibits too much fluctuation to be a reliable basis for pricing trend".

In response to DCBS and OSPIRG Foundation questions regarding the development of trend, the insurer revealed that their pricing trends are "based on year over year historical cost and utilization trend for [PacificSource's] entire Oregon book of business" due to the wide variation in trend in their small group book of business.

Basing trend projections considering the insurer's entire book of business may not be an unreasonable methodology, depending on the circumstances, when such projections are unreliable based solely upon the market segment being evaluated in the filing. However, PacificSource's trend data for their entire Oregon book of business has not been made available in the filing or the supplemental material supplied by the insurer.

Given that the insurer has stated that its medical trend projections are based upon a data set that has not been made available, it is not possible for DCBS or the public to evaluate the reasonableness of PacificSource's rate increase proposal. However, the data PacificSource chose to include in its filing suggests that the trend factors selected by PacificSource may be inflated, resulting in excessive rates.

The data PacificSource provided, while widely variable, appears as though it may support a lower trend than the value selected by PacificSource to justify their rate increase.[5] However, as PacificSource has

[5] The filing includes two years of trend data showing 5.4% and 8.7% trends, which would average to 7%. All of these values are lower than PacificSource's selected 9% trend value.

stated that this data is an unreliable basis for pricing trend, it is not clear that any of the values provided in the filing can form the evidentiary basis for a rate hike.

In addition to this problem, the filing has significantly higher values than PacificSource's previous filing for a number of critical variables in trend development, including deductible leveraging, without citing an explanation for these increases. In response to OSPIRG Foundation questions, PacificSource revealed that it has expanded its leveraging projections to include copay leveraging.

Copay leveraging can have an effect on costs experienced by insurance companies, but given that increasing the deductible leveraging factor from 0.5% to a 1.4% "Copay/Deductible Leveraging" factor substantially increases PacificSource's trend projection, we urge DCBS to scrutinize this change closely. PacificSource has not provided quantitative data or documentation to demonstrate the necessity of increasing this factor.

In fact, while the basis given by PacificSource for the deductible leveraging factor is that the "Medical Paid" amount increases faster than the "Allowed PMPM" cost, the data provided by PacificSource does not show a material difference between the "Allowed Trend" and "Paid Trend", which averaged 4.0% and 3.6%, respectively.

We urge DCBS to approve a rate increase only if it is based on a medical trend projection supported by appropriate historical claims data. Furthermore, whatever data set PacificSource chooses to use for determining the trend projection, that information should be submitted as part of the filing and made publicly available. In addition, we respectfully urge DCBS to scrutinize the reasonableness of the leveraging factor.

## Insurer's efforts to reduce medical costs while improving quality

### Cost and Quality Initiatives

Rising medical and prescription drug costs are far and away the most significant driver of rising health insurance costs. Health insurance companies have a significant role to play to help lower these underlying costs – not by cutting access to needed care – but by cutting waste and working with providers in their networks to focus on prevention and other proven strategies that keep patients healthier.

Reporting on efforts in this area as part of the rate filing is relatively new for insurers. From the consumer perspective, we are looking for a frank discussion of the insurer's approach to contain costs in ways that cut waste and improve quality.

In this analysis, OSPIRG Foundation tracks the insurer's reported efforts to implement six strategies understood to effectively reduce costs and improve quality, outlined through the chart below.

**Insurer's Cost and Quality Initiatives**

| Initiative | Description | Insurer's current efforts | Projected Savings |
|---|---|---|---|
| Quality pricing, also known as "payment reform" | In contrast with the fee-for-service payment model, this model rewards providers that use best practices to help keep patients as healthy as possible. | No initiatives listed. | Not specified |
| "Medical Home" initiatives | Coordinated patient-centered care that focuses on prevention and keeping patients healthy and out of the ER. | Medical home pilots, including Oregon Health Leadership Council's High-Value Patient-Centered Care Model Pilot. | Not specified |
| Value based benefits | Plans with lower co-pays for treatment proven to be effective, and higher cost sharing for unnecessary procedures. Some insurers use this term to describe plans with higher cost sharing for specialty care or brand-name drugs. | Value-based pharmacy plans in small group market, value-based medical plan in large group market. | Reflected in plan relativities |
| Chronic disease management | Case management and other tools to improve the health of patients with chronic disease. [6] | Complex Care Management, Targeted Case Management using Predictive Modeling, and Chronic Disease Management programs mentioned but not described in detail. | Not specified |
| Reducing hospital readmissions | Working with providers to ensure that discharged patients have adequate follow up care. | Discharge planning program mentioned but not described in detail. | Not specified |
| Reducing errors, hospital-acquired infections and other adverse events. | This includes not reimbursing providers for "never events," and incentives to encourage provider safety practices. | Provider contracts include "never event" provision; hospital-acquired infection reduction program mentioned but not described in detail. | Not specified |

In its initial filing, PacificSource reported taking steps to reduce health care cost in ways that improve quality for patients in only one of the six key areas we track. In response to OSPIRG Foundation questions, PacificSource provided significantly richer information, outlining programs not specified in the initial filing.

PacificSource reports taking steps to reduce health care cost in ways that improve quality for patients in five of the six key areas we track, though in many cases the initiatives are not described in detail and their effectiveness is not discussed. There appear to be many encouraging efforts underway within those areas. They have programs in the area of case management and care coordination, their medical home pilot programs are contributing to innovation in service delivery, and PacificSource has taken the important step of eliminating reimbursements for so-called "never events."

[6] Such as diabetes, asthma, depression, coronary artery disease, and congestive heart failure

PacificSource has not provided estimates of savings associated with these programs, or detailed the impact of these efforts on the quality of care, and does not break down the savings from each cost containment effort, making it difficult to evaluate the success of these efforts, whether the savings are higher or lower than anticipated, and whether the efforts are effective at controlling costs in ways that maintain or improve quality.

Moreover, it is unclear if the reported efforts represent all that the insurer could be doing within those strategies. It is also unclear why the insurer reports no activities to advance the development of quality pricing (payment reform), or why some of its programs have not been made available in the small group market.

We encourage the insurer to redouble its efforts in this critical area, while addressing the questions raised here to help the public and policyholders understand the breadth and depth of the company's cost and quality improvement programs.

**Medical Trend Goals**

In response to OSPIRG Foundation questions, PacificSource revealed that they have a target medical trend rate of two percent above the medical Consumer Price Index (CPI).

The percentage change in CPI for medical care for the twelve months ending in August 2012 is 4.1%,[7] which would generate a 6.1% target, well below the 9% medical trend PacificSource cites to justify their rate increase. In outlining this target, the insurer explains that they "see this as a long term objective over the next three to five years."

The insurer is to be applauded for setting a concrete goal in this important area. We encourage other insurers to set goals in this area, and encourage DCBS to find ways to incorporate an evaluation of such targets into the rate review process.

However, the rationale for the medical CPI + 2% target is not detailed in the material provided by PacificSource. With medical CPI consistently outpacing inflation in the broader economy, this measure may not be the best price anchor to ensure reasonable rates for PacificSource's customers.

We urge DCBS to require more detailed information from PacificSource about the choice of this target and their plans to achieve it.

## Insurer's Financial Position

The insurer's overall financial position is a factor that the Oregon Insurance Division may examine as part of evaluating the reasonableness of a rate filing. Insurers must have adequate surplus and reserves to meet claims costs. When surplus has grown larger over time as a result of high profits, lower increases may be more appropriate going forward. Lower rate increases (or rate decreases) can help in

[7] Source: http://www.bls.gov/cpi/cpid1208.pdf

building membership. Adequate enrollment is important to an insurers' stability and contributes to appropriate pooling of risk.

### Insurer information

| Basic Information | |
|---|---|
| For profit or non-profit: | Non-profit |
| State domiciled in: | OR |
| Parent company: | N/A |

| Insurer's financial position | |
|---|---|
| Year | 2011 |
| Surplus | $125,700,000 |
| Investment earnings | $5,500,000 |

| Surplus History | |
|---|---|
| **Year** | **Amount in Surplus** |
| 2005 | $112,814,731 |
| 2006 | $123,513,415 |
| 2007 | $124,499,606 |
| 2008 | $93,239,396 |
| 2009 | $107,075,852 |
| 2010 | $114,107,602 |

### Surplus and Enrollment

PacificSource's financial situation appears stable and healthy, with a surplus of over $125 million.

According to the filing, PacificSource intends to continue contributing to its surplus despite hiking premiums. While the insurer's projected margin of 2% seems reasonable, PacificSource's customers might be better served if the insurer invested some of this margin to smooth out its premium increase and grow enrollment to expand the risk pool.

| Enrollment | |
|---|---|
| **Year** | **Number of Members** |
| 2005 | 47,498 |
| 2006 | 45,299 |
| 2007 | 42,097 |
| 2008 | 33,012 |
| 2009 | 35,669 |
| 2010 | 32,919 |
| 2011 | 35,224 |
| 2012 | 36,821 |

PacificSource's projections of increased enrollment may be unrealistic. The insurer projects an increase of 3,000 members, but this increase is not supported with quantitative data, either in the initial filing or in the supplemental information provided in response to questions from DCBS and OSPIRG Foundation. The proposed rate hike may make PacificSource plans unaffordable for many Oregon small businesses.

PacificSource's gains in enrollment in 2011 and 2012 have occurred in a context of significantly lower rate increases than the current proposal—PacificSource has not raised rates by more than an average of 5% annually since 2010. It seems unlikely that PacificSource can continue to increase enrollment at the rate proposed if the insurer imposes double-digit premium increases on nearly half of its membership in the small group market.

Since maintaining a strong risk pool is essential for avoiding large rate increases in the future, we urge DCBS to consider the impact this rate increase could have on PacificSource's small group enrollment.

## Oregon Rate Review Process

While the majority of our comments are focused specifically on PacificSource's rate filing, as part of our review we have identified several areas where the overall process of rate review could be improved. We offer broader comments on these issues in this section.

In these comments, we would like to highlight challenges to meaningful transparency and public input in the current process.

Despite rules and product standards issued by DCBS outlining the information required in a rate filing, insurers too often omit key information from initial filings. This makes it necessary for DCBS or OSPIRG Foundation to ask for this information as a follow up question to the insurer.

Further, the due date for insurers to provide this information is often late in the process – often the day-of or the day before the public hearing on the filing, and just days before the close of the public comment period.

This lack of timely access to key filing information creates an often insurmountable obstacle to the public's ability to assess and provide meaningful comment on the filing.

In addition, while insurers provide clear answers to many of these follow-up questions, there have been numerous instances where the insurer has failed to answer the question fully, answered in such a way as to raise further questions, refused to provide the information publicly, or refused to answer altogether.

In the interest of transparency and meaningful public participation, we urge DCBS to tighten its standards regarding the information required in an initial filing, and to consider a range of options to ensure that consumers have the opportunity to submit fully informed public comment. Moreover, we urge DCBS to tighten its requirements regarding the information that must be made available before a rate hike goes forward to ensure that no rate hikes are approved without a transparent, publicly-available justification.

## Conclusion

PacificSource has not adequately justified its proposed rate increase.

Many aspects of the filing appear reasonable, such as moderate increases in projected administrative costs, a projected medical loss ratio above federal requirements[8], a number of constructive cost containment and quality improvement programs, and the use of a medical trend target to set a clearly-defined goal for cost containment going forward.

[8] However, the projected medical loss ratio depends upon the trend factor used. An inflated trend factor will result in a higher projected loss ratio. OSPIRG Foundation is concerned that the trend factor used by PacificSource may be too high, and that the use of an appropriate trend factor will result in a lower projected loss ratio.

However, OSPIRG Foundation is deeply concerned that PacificSource has not provided data to support its projections of medical and prescription drug cost trends. If PacificSource proposes to justify a rate hike by citing trends in its entire Oregon book of business, the data and analysis forming the basis for those trends should be detailed in the filing and open to public scrutiny. Alternately, the data provided must be used, along with the lower trend that data appears to support.

We respectfully urge DCBS to closely examine these issues, as well as all the others raised through these comments, as it completes review of this rate increase.