



Department of Consumer and Business Services

350 Winter Street NE, Room 200

P.O. Box 14480

Salem, Oregon 97309-0405

(503) 947-7872

www.cbs.state.or.us

Health Insurance in Oregon: Highlights

For six years, the Department of Consumer and Business Services (DCBS) has provided an annual report on commercial health insurance in Oregon. The department regulates health insurance in most commercial markets although it has rate approval authority only for plans sold to small employers, individuals who buy individual, non-employer sponsored coverage, and people who leave group coverage and buy portability plans. In the case of large employers, DCBS regulates policy content and ensures other consumer protections but does not regulate rates. Self-insured employers are exempt from state regulation but must comply with federal law, including provisions of the Affordable Care Act.

Consumer advocates are a key component of our regulation. The advocates protect the insurance-buying public by helping policyholders resolve disputes with their insurers and by reporting potential widespread violations of insurance law to investigators. In a typical year, advocates handle approximately 16,000 inquiries and 4,000 consumer complaints about all lines of insurance. In 2011, the advocates helped recover nearly \$1.6 million in claims for consumers.

Highlights of this year's report include:

Where Oregonians get insurance

- Nearly 33 percent of Oregonians get their health insurance in state-regulated markets although only 11 percent of Oregonians (more than 400,000 people) are in plans with rates regulated by the DCBS Insurance Division.
- Another 15 percent of Oregonians get coverage through an employer who is self-insured while 31 percent are covered through the federal programs of Medicare and Medicaid. Roughly 17 percent of Oregonians are uninsured.

Key financial indicators

Medical loss ratio (percent of premium spent on medical care): As of mid-2011, this is the *average* breakdown of premiums in Oregon:

- 89 cents of every premium dollar paid medical claims
- Nine cents paid insurers operating costs
- Two cents was profit resulting from net underwriting gain (the amount the insurer made from its insuring activities, not counting any profit from investments)
- Oregon insurers spend a relatively high percentage of premiums on medical care. One reason is the competitiveness of our health insurance market. Seven Oregon-based health insurers account for 91 percent of the Oregon health care market. In many states, a single insurer dominates.
- Beginning in June 2012, the Affordable Care Act requires insurers to report 2011 data concerning medical loss ratios to each state in which they do business. In August 2012, insurers that did not meet minimum medical benefits spending requirements for their 2011 policies will be required to pay rebates to enrollees.

Profit (net income to earned premium): From 2001-2010, Oregon's largest seven insurers showed an average profit margin of 2 percent. In 2010, the average was 3 percent. These statistics are based on a company's total business, including Medicare, and not just the markets we regulate.

Net investment (gain/loss compared to earned premium) was 2 percent in 2010 and averaged 2 percent from 2006-2010.

Health insurance premiums

Data here focuses on health plans we regulate. These are plans sold to small employers (2-50 employees), individuals and people with portability plans. Key trends include:

- Many insurers reported lower-than-expected medical claims in 2011, slowing growth in health insurance rates in the individual and small employer markets. The average annual rate increase in the small group market was 6.6 percent in 2011, down from nearly 11.7 percent in 2010. In the individual market, rates grew an average of 9 percent compared to nearly 16 percent the prior year.
- No one knows for sure why claims were down nationwide; a leading theory is that even people with insurance couldn't afford their share of the costs of medical care during the recession.
- Insurance rates are driven largely by medical costs so a key part of our rate review involves projecting growth in medical trends. We see that companies that own their hospitals like Providence/Kaiser are likely to have more control over costs
- In Oregon, agent commissions accounted for an average of 4.2 percent of premiums in 2010 in individual and small group markets.

Market share (based on 2010 premium)

- In state-regulated insurance markets (excludes Medicare and self-insured employers), Kaiser holds 30 percent of markets but six other health insurers have significant market share.
- Regence has the single-largest share of the small employer and individual markets. Kaiser dominates the large group market with 42 percent of the premium.

Rate review process

We hold public hearings for most small employer and individual rate filings and will be streaming the hearings from our website. We just awarded nearly \$315,000 in federal grant funds to the Oregon State Public Interest Research Group to provide analysis on insurance company rate requests through September 2014. We post the back and forth we have with insurers about pending rate increases on our website, along with all other documents that are involved in rate review.

Reform

The Insurance Division is working closely with the Exchange to provide technical assistance concerning how the Affordable Care Act will impact the insurance marketplace in 2014. The issues we are working on include the process of selecting an essential health benefits benchmark plan, creation of a standardized bronze plan that will serve as minimum required coverage for small group and individual markets inside and outside the Exchange, and ways to avoid or mitigate adverse selection, the circumstance that results when healthier people gravitate to certain plans or companies while sicker people gravitate to others.

Information for constituents

Rate information is provided at www.oregonhealthrates.org. Click on "financial data" to see consumer-friendly highlights of *Health Insurance in Oregon*. The division is available to explain this data at legislative town hall meetings or at other consumer forums. Contact the consumer liaison at 503-947-7238. Also, the consumer advocates can be reached during work hours Monday through Friday at 888-877-4894. As part of a federal grant to enhance consumer assistance, DCBS helped establish *Oregon Health Connect*. This website (www.oregonhealthconnect.org), along with two referral specialists, link Oregonians to health care resources.