Cycle II Narrative

Arkansas Insurance Department Health Insurance Premium Rate Review

Leadership

Jay Bradford was appointed by Governor Mike Beebe as Commissioner of the Arkansas Insurance Department in January of 2009. Commissioner Bradford formerly served for a combined twenty four years in the Arkansas House and Senate, serving also as Speaker of the State House and President Pro-Tempore of the State Senate.

In addition to his career insurance background and political expertise, Commissioner Bradford is nationally recognized for his work in health care and consumer advocacy. He sponsored the Arkansas state law mandating that 100% of Arkansas's tobacco settlement dollars be spent for healthcare. He sponsored Arkansas's breast care legislation that resulted in millions of dollars becoming available for breast cancer prevention and treatment. He also sponsored the Arkansas Mental Health Parity Act.

The Chief Deputy Commissioner of AID, Lenita Blasingame, is an experienced and nationally recognized insurance professional with a forty four year tenure at AID. She was named Chief Deputy Commissioner in 2006. She was appointed Insurance Commissioner by Governor Mike Beebe to fulfill the previous Commissioner's unexpired term. After the appointment of Commissioner Bradford, she returned to her position as Chief Deputy Commissioner where her duties include oversight responsibility for several key support divisions related to this application including Consumer Services, Accounting, and Human Resources. She is skilled in legislative matters and drafting rules and bulletins. She is active in the National Association of Insurance Commissioners (NAIC) and a member of the Association of Insurance Compliance Professionals and Insurance Regulatory Examiner's Society.

Objectives

Under the effective leadership of Commissioner Bradford, AID is committed to expanding and strengthening its ability to support health care reform through meaningful and transparent processes that align health insurance rate review, approval, analyses, reporting and public notification processes with the agency's mission of "consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence". Specifically, AID seeks funding through the Health Insurance Premium Review-Cycle II program to protect consumers from unreasonable, unjustified, or excessive rate increases through: 1) expanded legal authority for health rate review and approval or disapproval; 2) expanded expertise for health rate reviews; 3) enhanced 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 (HHS) Secretary; and 4) creation of 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.

Significant Recent Event.

On July 1, 2011, Steve Larsen, CCIIO Director, officially notified Commissioner Jay Bradford that the Arkansas Department of Insurance had met the applicable criteria and had been designated an 'Effective Rate Review Program' in all markets. (See Exhibit 1)

Description of the current AID rate review process

The current AID rate review process is initially managed by an AID Life and Health Compliance Officer who reviews the actuarial data provided by the insurance company and evaluates the rates based on this data. Effective September 1, 2011, the current process will be changed in order to fully implement AID Bulletins 6-2011 and 7-2011 (See Exhibits 3 &4). The Department regulates all small employer group policies, large group policies and individual policies issued by insurance carriers, HMOs and Hospital medical service corporations. All rates for individual polices must be approved prior to their use in Arkansas. Rates for small employer group polices are subject to review by the Department.

When a new individual health product is submitted for approval, it must be accompanied by an actuarial memorandum and the data used to develop the proposed rates. The product and rates are initially reviewed by the Compliance Officer for compliance with Arkansas laws, regulations and AID bulletins. If the Compliance Officer has a question on the rates or product, he/she will consult with the Insurance Deputy Commissioner/Director Life and Health Division and the Health Insurance Rate Review (HIRR) Director.

The Compliance Officer also reviews for approval any request for a rate increase on already approved individual products. The information that must accompany the actuarial memorandum for approved products includes the last three calendar years' experience on an earned premium and incurred claims basis (nationwide & Arkansas experience) and the history of the rates and the number of individuals insured on the block of business. A consulting actuary may be obtained when a considerable number of enrollees in Arkansas could be affected by a substantial rate increase (in excess of 25% rate increase on a block of individual health business).

Grounds for rate approval, modification and rejection are factors such as: the loss ratio of earned premium and incurred claims, the history of previous rate increases, the financial history of the company, and medical trend. Rates for new individual health products or modifications of existing rates must be prospectively submitted and reviewed for approval. Rates on a particular policy form will be deemed approved retrospectively upon filing with the commissioner if the insurer has filed a loss ratio guarantee with the commissioner and complied with the terms of the loss ratio guarantee. Benefits will continue to be deemed reasonable in relation to the premium so long as the insurer complies with the terms of the loss ratio guarantee which must be submitted in writing, signed by an officer of the insurer, and must contain all required information.

Over the past year, at the discretion of the Commissioner, Arkansas has been negotiating with those insurance companies that have been requesting rate increases greater than 10% on their individual health insurance products. The Commissioner negotiated a lower rate for an Arkansas domestic with the largest state market share, affecting approximately 90,000 policyholders. The AID does not have prior approval authority over group rates, and therefore has not negotiated with companies to prevent or reduce rate increases in the group market.

Publicly-releasable filing information was made available on the AID website following approval or disapproval of a rate request. The disposition letter which states the percentage of rate increase is included in what is available for the public to view. The AID does not currently announce rate increases via news releases, however all press releases generated by the Department are placed on its website and available for viewing for a period of four years. Thus, an enhanced web site could be a tool for consumers and researchers to see the history of increases for particular companies. Other current pubic information dissemination practices by AID are limited.

Relevant statutory and regulatory authority for the Arkansas rate review process has been ACA §23-79-109(a)(1)(A) which states that "No basic insurance policy, or annuity contract form, or applications form...or printed rider or endorsement form or form of renewal certificate shall be issued, delivered, or used... unless the form has been filed with and approved by the Insurance Commissioner and, in the case of individual accident and health contracts, the rates have been filed with and approved by the commissioner." AID had prior approval authority for rates only in the individual health market.

Rating rules for health products in the small group market are rating bands with actuarial justification (see ACA §23-86-204). The case characteristics used may be geographic location and age. Each carrier must certify annually that it is in compliance with the rating methods required by law.

For individual policies, a description of the type of coverage and a designation of the policy or contract form number affected by the proposed rate is required with a separate filing for each policy or contract form number. If the proposed rate is for a contract or policy form not currently approved for use in Arkansas, such form should accompany the filing. If the proposed rate is a revision for a form currently approved, a description of the percentage rate increase is required; if not a level increase, this statement should include the maximum, minimum, and average rate increase. A statement as to how the proposed rate applies to anticipated experience or, if the rate is a revision for a form currently approved, a statement as to how the proposed rate applies to actual experience and anticipated experience is required. The actuarial certification must indicate that, in the belief of the actuary, the proposed rate or rate revision does not discriminate unfairly between policyholders. The completeness and accuracy of the data furnished in the filing is to be certified by an officer of the insurer.

As part of our Cycle I activity, AID contracted with AON/Hewitt to perform a complete review of the current rate review process. In the Phase 1 report (See Exhibit 7), AON/Hewitt found that prior to Cycle I funding, both the rate filing requirements and the AID personnel resources devoted to reviewing rate filings were fairly limited in scope. Arkansas only required rate filings to be submitted for individual rates and HMO (except for new form filings), though AID intended to begin requiring rate filings for small group non-HMO. By statute AID had the authority to deny rate submissions in the individual health market and for HMO filings. AID will be requiring small group non-HMO rate filings, but did not have the legal authority to deny these rate requests.

There were only 1-2 personnel that spent any significant amount of their time reviewing rate filings, and there were no personnel at the AID with actuarial or underwriting experience. The AID receives only a few health rate filings each year and at the Commissioner's discretion sends some of these out to actuarial consultants for review.

Previous Individual Rate Filing Requirements

Prior to enactment of health care reform, individual rate filings have been required on an ongoing basis (not just in association with form filings). Rate filings were filed and approved, with a 30-day review period . The AID tries to review all filings within 30 days. If more time is needed, a "deemer" letter is sent, extending the approval period by another 30 days.

Individual rate filings were required to be accompanied by actuarial data. The data required was outlined in AID Bulletin 4-79 (Exhibit 2) (now superseded by AID issued Bulletins 6-2011 (Individual) and 7-2011 (Small Groups). AID Bulletin 4-79 is summarized as follows:

1. Description of the type of coverage and designation of the affected policy or contract form number.
2. Rate change history.
3. Estimated number of persons in Arkansas that will be affected.
4. Percentage rate increase. If this is not level for all members, the maximum, minimum, and average rate increase need to be provided.

5. Latest three calendar years of experience on an earned premium to incurred claim basis.
6. Description of how the proposed rate increase relates to actual historical as well as future expected experience.

The Arkansas Insurance Code and the regulations issued by the AID do not cite any specific list of permitted rating variables or other rating restrictions for individual rates. Variables based on actuarial information may be used. There appear to be no other obvious restrictions on the rating variables that can be used for individual rate filings, though unfair discrimination in the premiums is not allowed under Arkansas statute and AID rules including due to marital status, physical or mental impairment, or blindness.

Prior Rate Filing Requirements for Small Group and Large Group

For most purposes, including HIPAA protections, the current definition of small group in Arkansas is groups with 2-50 eligible employees. However, for non-HMO rate filing requirements, small group is defined to be only 2-25 eligible employees in Arkansas. Any groups with more than 25 eligible employees are considered to be large group for non-HMO rate filings. The AID has changed the definition of small group to 2-50 for rate filing purposes in the new AID Bulletins 6-2011 and 7-2011.

For small group policies, carriers must maintain a rating manual onsite, detailing rates, rate development, and rating methodology. Rate filings are required to be submitted to the AID only for new product form filings. These rate filings must be accompanied by an actuarial memorandum and certified by an actuary that rates are reasonable.

AON Hewitt's March 2011 View of AID Rate Filing Review Process

Effective March 1, 2011, all rate filings in Arkansas are submitted via the System for Electronic Rate and Form Filing (SERFF), maintained by the NAIC. As a backup, an administrative assistant also logs all rate filings when they arrive. The Compliance Officer then checks each filing for:

1. Completeness (all required data included):
   - Last 3 calendar years' experience on an earned premium and incurred claims basis (nationwide and AR experience),
   - Rate history
   - Number of individuals insured in the block of business
2. New products only: Checks if product and rates are compliant with AR laws, regulations, and AID bulletins.

Expedited approval is granted if the rate filing meets all of the following conditions:

a) The average rate increase is less than 30%,
b) The number of Arkansas citizens affected is less than 100,
c) There has been no rate revision within the past 12 months,
d) The filing was submitted at least 60 days before the effective date, and
e) Policyholders will be notified at least 30 days prior to the effective date.

According to AID personnel, it is rare for a rate filing to qualify for expedited approval. AID personnel have stated that in practice they might consider granting expedited approval to more filings if there were too many of them.

On July 7, 2011, AID issued Bulletins 6-2011 and 7-2011 with effective dates of September 1, 2011. These Bulletins provide further guidance to carriers on the requirements placed upon them for all future rate filings on all individual and small employer group policies. These two new AID Bulletins allowed the AID to meet the applicable criteria in order to be officially designated as an "Effective Rate Review Program" by DHHS.

Bulletin 6-2011 expands the filing requirements for all rate filings for individual policies. The Department will no longer use the 50% loss ratio as a guideline for unreasonable rates, but will focus on the recently adopted Medical Loss Ratio (MLR) standards.

For all proposed rate increases over the applicable threshold, carriers will be required to submit detailed explanations regarding the proposed rates. These explanations follow the federal guidelines set forth in the federal regulations. Consumers will be given an opportunity to submit comments on the proposed rate filings and information regarding the rate filing, including a plain language justification, which will be posted on the Department's website.

The Bulletin further clarifies the Department's position that rates cannot be adjusted more than once in any 12 month period. It should also be noted that rate adjustments for individuals can only be made on the policyholder's anniversary date. Additionally, all closed blocks will be treated as one pool.

Bulletin 7-2011 addresses rate filings for small employer group policies. Pursuant to the Bulletin, a small employer will be any employer with at least two employees but no more than 50 employees. This follows the definition of a small employer found in Ark. Code Ann. §23-86-303(34). Carriers will be required to file annually by June 1 specific information related to their rating methodologies. The rating methodologies must be approved by the Commissioner before the new rates can be implemented. Also under this Bulletin, consumers will be given an opportunity to submit comments on the proposed rate increases and information regarding the rate filing, including a plan language justification, which will be posted on the Department's website.

AID RR goals assisted by Cycle I Grant funding

Goal 1. To expand the Scope of Health Insurance Premium Review. (***Progress***). In lieu of enabling state legislation, AID recently issued two significant Department Bulletins that provide additional guidance to carriers on the requirements that must be followed when submitting rate revisions. Newly issued AID Bulletin 6-2011 expands the filing requirements for individual policies. AID Bulletin 7-2011 allows the commissioner to review all rating methodologies prior to their implementation in Arkansas and greatly expands the filing requirements for all small employer group products.

Goal 2. To improve the Health Insurance Premium Review Process by requiring insurance companies to report more extensive information through a new standardized process which will allow for better evaluation of proposed premium increases and increase transparency across the marketplace. (***Progress***). This was accomplished through newly issued AID Bulletins 6-2011 and 7-2011.

Goal 3. To make More Information Publicly Available by increasing the transparency of the health insurance premium review process and provide easy to understand, consumer friendly information to the public about changes to their premiums. (***Progress***). Newly issued AID Bulletins provide for consumer input periods and the posting of all non-confidential rate filing documents including a plain language summary that describes the rate increase(See Exhibit 10).

Goal 4. To develop and upgrade technology. (***Progress***). AID is developing and upgrading existing technology to streamline data sharing and put information in the hands of consumers more quickly. Arkansas now requires all rate filings to be made through SERFF. SERFF has also been expanded to allow for more information to be filed and retrieved with every rate filing.

AID RR milestones accomplished as the result of Cycle I Grant funding

1. AID was able to hire additional rate review staff including a Deputy Commissioner, Managing Attorney and Public Information Officer.
2. The rate review section moved into new office space, fully equipped
3. IT capacity was expanded with the enhancements to SERFF and SERFF filing of rates became mandatory through SERFF.

4. Outreach program was initiated with the first round of consumer meetings that were used to gather information in order to properly plan a comprehensive outreach program.
5. A professional services contract was awarded to AON/Hewitt for a complete review of existing rate review procedures and for recommendations on how to improve the process to meet the goals stated therein.
6. AID expanded its ability to more thoroughly review rate filings in the individual market by releasing Bulletin 6-2001.
7. AID expanded its authority in the rate review filing for small group policies by releasing Bulletin 7-2011.
8. AID completed the bid process for the media center equipment and related services.
9. Rate Review held its first meeting for its Advisory Council that will assist with implementing the outreach program.
10. Posted the initial Rate Review webpage on the AID website.
11. Rate Review educational material entitled "Rate Review Primer 101" released for comments.

AID enhancements as a result of Cycle I grant funding

It should be noted that without Cycle I grant funding, the AID HIRR would not have attained the DHHS/CCIIO (7.1.11) designation as meeting the applicable criteria and designated as an 'Effective Rate Review Program' in all markets.

The following specific examples (either spent or committed to be spent) illustrate the critical assistance that Cycle I grant funding accomplished in enhancing the rate review process, rate disclosures, information technology, data collection/processing, transparency, and outreach.

Cycle I FY11 AID RR budget allocation by activity:

• Core rate review	$490,781
• Legal	$121,701
• Information technology	$ 85,687
• Training/Outreach	$301,831
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Total	$1,000,000

$ 273,000 Core rate review

Payment of RR salaries, (RR Director, RR Public Information Officer, and the RR Attorney - all full time RR employees), rent, office furnishings and equipment, and telecommunications, has enabled the AID HIRR Division to have a cohesive team which has been very effective and very productive. The multiple accomplishments of this team are defined in great detail in other parts of this application.

$ 72,000 Legal

- Additional Legislative Authority was not successfully achieved in 2011 in the State of Arkansas because rate review authority language was contained in the same legislative bill as the authority language for the Health Benefits Exchange. We will continue to work with the legislature and reintroduce the package at the next session.
- Expand the Scope of Health Insurance Premium Review: After much research, the AID was able to accomplish this objective by recently issuing two new bulletins that provide additional guidance to carriers on the requirements that must be followed when submitting rate revisions. Bulletin 6-2011 expands the filing requirements for individual policies. Bulletin 7-2011 allows the commissioner to review all rating methodologies prior to their implementation in Arkansas.

- Improve the Health Insurance Premium Review Process: The AID will require insurance companies to report more extensive information through a new, standardized process which will allow for better evaluation of proposed premium increases and increase transparency across the marketplace. The AID accomplished this through new Bulletins 6-2011 and 7-2011.
- Make More Information Publicly Available: There will be increased transparency of the health insurance premium review process and provide easy to understand, consumer friendly information to the public about changes to their premiums. The above cited bulletins provide for consumer input periods and the posting of all non-confidential rate filing documents including a plain language summary that describes the rate increase.

$ 18,808 SERFF State development of first stage database reporting enhancements. (See Exhibit 15e) Cycle I grant funding allowed the AID RR to augment existing SERFF and web publication capabilities with additional applications, data manipulation capabilities, data reporting capabilities, data tables, and programmatic and communications interfaces necessary to capture and report additional necessary data.

$ 199,600 AON Hewitt (RFP) professional services contract (See Exhibits 6 & 7&8)

- Phase I delivered a comprehensive assessment of all current components of the AID health insurance rate review process including all related and applicable information technology, data management, authority and rate review processes, regulatory & management reporting requirements, and statewide outreach.
- Phase II, recently completed, delivered a clear analysis of the information derived from Phase I and a subsequent submission to AID of detailed findings, recommendations, and a focused plan of implementation.
- The final submitted recommendations were specific, innovative, and compatible with state and federal regulations. These recommendations demonstrate superior strategies that will directly impact the success of AID in all aspects of health insurance rate review.

$ 130,000 Rate Review Media Center (See Exhibit 14)

- The Rate Review Media Center will become fully operational on August 19, 2011. The completed media center will transform a 1400 square foot Rate Review "meeting room" space on the second floor of the AID office building into a modern Health Insurance Rate Review Media Center for public and professional training, education, and information dissemination activities including public hearings and media presentations. The AID Insurance Rate Review Media Center will serve as the "nerve center" for 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 manuals.
- The purpose of the Media Center RFP is to facilitate and implement a robust and coordinated Rate Review Education, Outreach, and Training program that effectively provides user friendly and timely access to rates, rate filing processes, requests, outcomes, complaints, and other related information to constituencies both internal and external to AID.
- The PRR Media Center will create and implement diverse communication products and methods for specific constituencies that include: expanding AID website to detail health insurance rates, rate filings, complaints, and pertinent processes in a manner that is understandable to the public; media/press releases; policy briefings; accessible 1-800 consumer inquiries, complaints, or fraud report telephone services; advertisements in statewide newspapers/magazines; webinars; accessible public meetings, hearings and seminars held at AID and locations across the state; newsletters; specific stakeholder and institutional presentations; and/or other communication strategies advocated by the PRR Advisory Council.

- The Media Center will provide technical training for constituencies including, but not limited to, members of the Advisory Council, AID employees, consumers, insurers, staff members of sister agencies, legislators and legislative research staff, and all other stakeholders on processes for rate review. *This would include hosting 'Train the Trainers' seminars where AID would access and host meaningful instruction and classes in "rate filings and rate review" for internal and external constituencies as offered by NAIC or any credible educational institutions having this expertise.*
- The Media Center will allow education and will update broad constituencies about general processes of rate review and specifics of ongoing rate trends in Arkansas and the Nation by benefit category, claims paid, price inflation, risk, complaints, and other dynamic factors. *This education and outreach is expected to have broad impact in effecting transparency and needed changes. For example, AID legislative education would advance appropriate AID rate review authority, and education of specific disability rights groups would promote their increased engagement in meaningful rate* review approval processes.

$ 47,000 Information Technology

SQL Database, server licenses, hardware, software licenses, support for the virtual infrastructure, storage subsystems, database platform, and application interfaces including remote interfaces. Specifically an internal database is being developed and hosted on an AID server using virtual machine technology and the SQL Server database management system (DBMS). The database will include data downloaded from SERFF along with data entered by insurance companies through the Department.

$114,000 Outreach

- Provisions in the Affordable Care Act (ACA mandate that consumers be given increased access to the rate filing process and details of the impact those rates will have on their health insurance costs, In order to comply, the Arkansas Insurance Department (AID) plans to utilize an innovative, aggressive, and multi-faceted outreach program. The first step is the creation of a robust, user friendly, interactive website which is being developed.
- The second step will be the formation of state-wide citizen advisory boards. While the majority of members will be consumers, including those with disabilities and long-term care issues, other stakeholders will be included to enhance the functionality of the Advisory Board. These stakeholders could include state legislators, policy makers, representatives of other state agencies, and related community organizations. The Advisory Board will meet on a regular basis to discuss the rate filing process and transparency issues. The board members will be supported and resourced by AID.

Current level of resources and capacity for reviewing health insurance rates:

a) **Information Technology (IT) and systems capacity**
b) **Extent to which current IT systems such as SERFF, support the State's rate review process**
c) **Budget and Staffing**

a) Information Technology (IT) and systems capacity (See Exhibits 15a-e)

Optimal healthcare data collection and analysis is the cornerstone of any effective healthcare premium rate review process. To accomplish that objective, the AID RR Division is dedicated to upgrading to a robust multi-functional internal health care database. AID RR understands that the foundation for a successful and effective rate review of health insurance rates must depend on the availability, selection, collection, quality, and processing capability of all relevant/applicable health care data. The first step was to require all rate and form filings be electronically submitted to the Life and Health Division through the SERFF.

The IT Division of AID uses virtual machine technology and provides direct support to AID regulatory staff in their development and day-to-day use of computer workstations and software. The IT Division also supports the public and industry use of AID online services provided through the AID website.

The initial phases of a robust SQL internal database has been developed and hosted on an AID server with application interfaces including remote interfaces using virtual machine technology and the SQL Server database management system. The database will include data downloaded from SERFF along with data entered by insurance companies.

The AID reviews and processes Arkansas SERFF filings remotely via a web browser interface. The AID Information Services Division provides the technical expertise for interface with SERFF, and SERFF filings can be downloaded to the AID electronically for online use or printing. These are reviewed in hard-copy format. All filings are manually logged within the Division of Life and Health as a backup.

The rate review database mentioned previously should be built upon and improved via future enhancements such as:

1. Adding queries to analyze the data, as mentioned above,
2. Adding queries to check the integrity, consistency, and reasonability of data submitted for each rate filing,
3. Adding data from the Financial Analysis and Examination units of the Finance Division.
4. Automating the process of adding data to the database.

These enhancements would greatly reduce the manual work required to review rate filing and also enhance the AID's ability to effectively review rate filings and question unreasonable rate increases.

b) Extent to which current IT systems such as the System for Electronic Rate and Form Filing (SERFF), support the State's rate review process (See Exhibit 15e)

The AID currently uses the State Electronic Rate and Form Filing system (SERFF) for all of its life and health insurance rate filings. SERFF is a national insurance regulatory system used by states whose insurance commissioners or directors are members of the National Association of Insurance Commissioners (NAIC). SERFF and its data are hosted in Kansas City, MO. Insurance companies that choose the use of SERFF submit filings electronically. The AID reviews and processes Arkansas SERFF filings remotely via a web browser interface. SERFF filings can be downloaded to the AID electronically for online use or printing. Publicly-releasable filing information is made available on the AID website.

Prior to March, 2010, SERFF did not have built into its system a functional avenue for collecting data. On March 24, 2011, SERFF released production enhancements related to Health Insurance Premium Review (HIPR) grants. This includes HIPR detail (R2D2) and Post-submission updates. In early July, 2011, SERFF announced it is replacing the R2D format to match the HHS reporting format.

In August, 2010, 46 jurisdictions were awarded grant funds from HHS to make improvement to the overall review of rate filings. Forty-five of those jurisdictions include changes to SERFF in their original grant proposals to HHS. The changes were designed to facilitate the federally required reporting of rate related filing information a quarterly and annual basis to HHS. Over the last several months SERFF staff, the awarded jurisdictions and HHS have participated in bi-weekly meetings to flesh out the definitions and requirements of the data that was to be reported beginning year-end 2010.

SERFF introduced multiple fields to the SERFF application to collect data for reporting to HHS. These fields, found in the Rate Review Detail on the Rate/Rule Schedule, are required for all comprehensive major medical rate filings. AID RR staffers will be able to search using the following criteria: HHS disposition Status, Rate Review Detail, HHS Issuer ID, Trend factors, Benefit Change, and Change period.

AID RR staffers will be able to export all fields found in the Rate Review Detail as well as HIPR Disposition Status and Company Rate Information – 'percent changed approved fields'.

Conceptually, the data downloaded from SERFF will be read-only on the Department website so that no disparity will develop between information residing both in SERFF and in the Department's rate review database. Such data will be updated through SERFF. Fields that exist only in the rate review database will be updated through the Department web site. The rate review database will enable grant-required reporting not currently supportable through SERFF. Because it will contain both SERFF and local filings, it will provide comprehensive rate review reporting.

The SERFF staff has been continuously conducting conference calls and webinars over the past months with both states and industry to educate users on the changes that are being implemented. As part of PPACA requirements, HHS requires that the states that received the Cycle I premium grants submit quarterly and annual reports. In order to accommodate these reports, SERFF released new fields which included Health Insurance Premium Review fields – or HIPR fields.

On July 8, 20011, SERFF announced the following proposed enhancements:

a) **Data Collection from Industry:** The SERFF system will be enhanced to assist with collection of all parts of the industry Preliminary Justification for rate increases. Part I, the Rate Increase Summary Worksheet, will be collected as an attachment to a Submission Requirement. The SERFF system will parse this attachment into database fields to allow for search and export capabilities. Part II, the Written Explanation of Rate Increase, will also be collected with the filing submission—which is Part III, Rate Filing Documentation. Finally, a Submission Requirement will be added to collect the Consumer Disclosure form. Companies will be expected to retrieve the Consumer Disclosure Form from the Health Insurance Oversight System (HIOS) and upload it to SERFF.
b) **State Data Input:** SERFF will be modified to allow the states to enter a Summary of Rate Review and/or a State Filing Summary. The state will be able to submit the Summary of Rate Review to HHS via SERFF following the review process.
c) **Enhancements to HFAI:** The Health Filing Access Interface (HFAI) will be enhanced to allow states to display the information above and to accept and process public comments on rate filings. States will have the option to make the Rate Increase Summary Worksheet, the Consumer Disclosure Form, the State Filing Summary, and the Summary of Rate Review available to the public as part of the HFAI system or via SERFF's existing public access. States may choose if and when these pieces are made public, using their existing guidelines for public access. Additionally, HFAI and SERFF will be enhanced to support the collection of public comments via HFAI and to provide states an interface to manage the collection and posting of those comments from SERFF.

Budget and Staffing.

C-1 Description of the annual overall total budget of AID and source of revenues.

The AID is a dedicated funding agency, meaning that AID derives none of its operating revenue from premium tax collections or general revenue. The agency is funded by fees and assessments imposed on entities regulated by the Department.

The AID annual operating budget is approximately $11.6 million for 2010. A total of $196,138,029 was collected by AID in state fiscal year 2009, with $143,798,712 million being premium taxes. All AID revenues, after AID legislatively approved budgeted operations, are always returned to the General Revenue Fund of the State of Arkansas as required by state law.

ARKANSAS INSURANCE DEPARTMENT		
CATAGORIES	JULY 1,2010 - JUNE 30, 2011	JULY 1, 2011 - JUNE 30, 2012
REGULAR SALARIES	6,576,583.00	7,036,153.00
EXTRA HELP	140,000.00	140,000.00
PERSONAL SERVICES MATCHING	1,947,646.00	2,068,197.00
OVERTIME	35,000.00	35,000.00
OPERATION EXPENSES	2,035,000.00	2,185,000.00
CONFERENCE & TRAVEL	138,000.00	138,000.00
PROFESSIONAL FEES	60,000.00	60,000.00
CAPITOL OUTLAY	160,000.00	155,000.00
DATA PROCESSING	150,000.00	--
SPECIAL MAINTENANCE	50,000.00	50,000.00
PROFESSIONAL SERVICES	386,000.00	386,000.00
TOTAL BUDGET	11,678,229.00	12,253,350.00

C-2 AID Budgetary breakdown for resources allocated to rate review for health insurance coverage in the individual and/or group markets.

It is difficult to accurately segregate and calculate the direct and indirect rate review budget expenditures/requirements from the total AID budget. The AID resources and processes that can have a direct or indirect relationship with the rate review process will likely involve all of the following:

1. Processing rate review requests
2. Required research and analysis
3. AID provision of required working space, equipment, and communications
4. External Actuarial contracts (Utilized by both Finance & Rate Review)
   An example of AID actuarial services is the 7.10.10 engagement letter of Lewis &Ellis actuaries of Suite 200, N. Central Expressway, Richardson, TX 75080. (See Exhibit 5).
   The scope of actuarial services will include but not be limited to:
   - Review for reasonableness and appropriateness
   - Historical and projected loss ratios;
   - Claim cost trend assumptions;
   - Underwriting wear-off and anti-selection assumptions;
   - Benefit reduction assumptions;
   - Persistency assumptions;
   - Other applicable items e.g. statistical credibility, effect on capital and surplus.

The work product will include sufficient analysis and procedures to form an opinion with respect to the overall reasonableness and appropriateness of the proposed benefit and rate revisions.

Maintenance of Effort (MOE). AID agrees to maintain current Healthcare Rate Review MOE @ $14,500 annually. AID further agrees that Cycle II grant funds will be used only to enhance AID's existing rate review efforts and not as a substitute for existing funding for such efforts.

C-3 Descriptions of the qualifications of AID staff members responsible for rate review

Health rates are reviewed within the AID Life and Health Division. The Deputy Commissioner/Director of Life and Health is Dan Honey. In addition to rate review, Mr. Honey also oversees the Seniors Health Insurance Information Program (SHIIP). An attorney, Honey has served as deputy to the Arkansas State Treasurer, General Counsel for Arkansas Workers' Compensation Commission, Senior Counsel for Fortis Health (now Assurant Health) of Milwaukee, and Associate Counsel for the Centennial Life Insurance Company in Kansas City. During his tenure with both Fortis and Centennial, he spent the majority of his time dealing with complex state and federal health insurance regulatory matters.

The Life and Health Compliance Officer, Rosalind Minor, performs all technical reviews and communications regarding rate approval/disapproval for those rates over which the AID has legal authority. A 23 year AID employee, Ms. Minor has also served as Senior Rate and Form Analyst, Rate and Form Analyst, and investigator in the Consumer Services Division.

C-4 Number of health insurance rate filings that received for individual and/or group markets

Arkansas receives 100 plus rate filings annually, some of which may include health products other than major medical. Since Arkansas has not previously reviewed small group rates, there is no count on the group side. A rate filing that does not present any problems takes approximately one hour of review. Rate filings requiring repeated correspondence with the company could take several days of back and forth communication. In 2010, the Department's rate filing analyst spent approximately 10% of her time reviewing 22 individual major medical filings. So far in 2011, The Department has reviewed three (3) individual major medical filings.

One rate review concern has been the lack of AID actuarial capacity for initial rate reviews. Currently, when a company (in the individual market where AID has authority) files rates for a new product, the company includes an actuarial certification that the rates are reasonable in relation to the benefits provided. Because AID lacks the staff time and expertise to question such company certification, it is generally AID's practice to take the company's certification at face value and approve the initial rate. It is not uncommon to have situations where a company will undercharge on a new product rate in order to be more competitive in the market. Then, after a few years' claims experience, the company will begin to lose money on that block of business because the claims are more than the premium revenue.

Consumer Protections.

Pursuant to newly issued AID Bulletins 6-2011 and 7-2011, the AID will post on its website details regarding all individual and small employer group rate filings including plain language summaries that justify the filings. Access to public records of governmental agencies, including the AID, is regulated by Arkansas's Freedom of Information Act (ACA 25-19-101 through 25-19-109).

In recent years, consumers were not provided with prior notice of rate request filings. Pursuant to Bulletins 6-2011 and 7-2011, notice will be given to consumers of all rate filings and consumers will also be given an opportunity to submit comments on these filings. The Department will be working on processes and procedures to implement the new requirements set forth in these bulletins.

The robust AID Outreach program just underway with the newly completed Media Center will vastly increase consumer knowledge about rate review and health insurance basics. There is not a process for public comment on proposed changes. However, that will be changing. Since July 1, 2011, rate change summaries are being provided in plain language for consumers. Insurance companies are required to give enrollees a minimum of 30 days notice from the date of approval before implementing a new rate.

Consumer inquiries and complaints related to health insurance rates are addressed by the AID Consumer Services Division (CSD). For 2008 and 2009, 378 health insurance complaints and inquiries were filed; only 12 (3%) were for rate issues. Dispositions of those 12 were: 5-company in compliance; 2-compromised settlement/resolution; 1-company position upheld, 1-advised complainant; 1-contract provision/legal issue; 1-no jurisdiction; and 1-information furnished/expanded. In 2010, there were fifty-five (55) complaints for rate issues.

Outreach (See Exhibit 12)

The AID will continue to implement a robust and effective outreach program to provide timely, user friendly, and public access to rates and rate filing requests as well as all related information. *(See Attachment C)* Recipients include the public, enrollees, policy holders, HHS, media, state agencies, legislators, health care policy makers, related stakeholders and interested educational institutions. The components of this outreach program would consist of:

1. Communications
2. Training
3. Education

1. Communications. Although there would be some overlap with Training & Education, "Communications" would include, but not be limited to:

a. New user friendly Rate Review web site detailing rates, rate filing process, justification for an increase from company in plain language and notification mechanisms for public comment periods.
b. Media/Press Releases
c. Public meetings and hearings
   - Media Center
   - Organizationally sponsored throughout the state
d. Policy briefings
e. Seminars
f. Stakeholder and institutional presentations
g. Webinars/Web tutorials
h. Social media

2. Training. The recipients of training would include, but not be limited to, AID employees, insurers, enrollees, members of the Advisory Council, staff members of sister agencies, legislative research staff, stakeholders, and health related organizations. Most training would be conducted onsite at the AID in Media Center.
The training methodologies would be as follows:

- Classes using power point presentations and video clips
- On-line tutorials
- Webinars
- Rate Review Manuals

3. Education. Education remains a key component of our outreach program. Using feedback from our consultants and Advisory groups, RR will implement an effective education campaign to reach Arkansas consumers with meaningful rate information including details on public involvement. *(See Attachment C,D)*

In May of 2011, the Arkansas Insurance Department (the Department) launched a statewide stakeholder engagement outreach campaign to provide transparency and promote public awareness while educating the public regarding the premium rate review process in Arkansas.

During Cycle II, Rate Review will continue to enhance consumer protection standards by providing an unprecedented level of transparency to consumers. Rate filings for individual and small group markets will be publicly disclosed on the AID website pursuant to AID Bulletin No. 6-2011 and Bulletin No. 7-2011 starting September 1, 2011. Issuers will be required to publically disclose its justification for an increase on its website in plain language that the average consumer will understand. That information will also be posted on the RR webpage and the AID social media pages will be used to disseminate information to consumers.

RR will continue to enhance current communication strategies and implement news ones during this Cycle II program to create an effective outreach campaign with the purpose remaining: to educate consumers with meaningful information regarding premium rates, health care costs and notifications on comment and complaint processes. *(See Attachment C)*

Under this Cycle II program, we plan to use funds to 1.) Develop and launch a new consumer friendly Rate Review website; 2.)Develop additional print materials; 3.) Launch statewide meetings; 4.) and launch a media advertising campaign.

The AID website was studied in-depth and major improvements suggested improving the Department's existing website. (See Exhibit 13) Rate Review will contract to develop a new state-of-the-art consumer friendly website to provide advanced notice regarding rate increase filings and comment periods. The focus of the website will be on clearly presenting and explaining to insurance consumers what insurance rate review is, why it's important to insurance policy holders, and how consumers can get involved. To help make this information more appealing and interesting to consumers, the goal is to create a graphic-intensive site design and present the information as interactive components when possible. The design of the site will be graphic-intensive, include bright colors and a clean layout, which will set it apart from typical government websites while still being accessible to people with vision impairments. We will develop a consistent global navigation system for the site, and develop the images and text to download quickly so visitors can quickly and easily access the information they seek.

In addition to using the website to provide meaningful information about the rate review process and consumer involvement, under this funding cycle, email notifications will be issued to reach consumers about rate increase requests and comment periods.

Cycle II funding will be used to develop additional print materials including a 'Rate Review' brochure which will be disseminated to consumers during face-to-face outreach events including statewide stakeholder meetings and posted on the website. Print materials containing information regarding rate review and comment periods will also be mailed to local and county officials across the state to be posted in government buildings.

The RR division will use this grant funding to enter into an interagency agreement with grantee to launch the series of statewide meetings in the fall. The grantee will implement a plan to promote and present information to consumers regarding the rate review process and provide details on public involvement. A media campaign involving promotional material and advertisement of public hearings will be implemented through television, radio and newspapers.

Rate Review will continue to work with our primary stakeholder group and consumer advisory group to reach Arkansans with new and meaningful information. *(See Attachment C)*

During the Cycle I grant program, the PIO defined the appropriate target market for outreach efforts, overall objectives and developed strategies to reach various stakeholder groups including consumers. Under Cycle II, the PIO will define more specific guiding principles for consistent messaging for each audience. RR will use this funding to create tailored messaging which will include image definition, image connection, design and tone of media. RR will also develop metrics and evaluate progress by identifying indicators, such as web traffic, number of attendees at public hearings or number of policyholders impacted by a proposed rate change.

The strategies to reach consumers include:

Consumer Strategies Undertaken

- Create an active consumer-driven Advisory Council to help implement meaningful methods to improve consumer knowledge and involvement in the rate approval process.
- Work with the SERFF team to enhance the Department website and make rate review filings current and accessible to the public.
- Identify the appropriate target market for the Department's outreach efforts.
- Develop outreach strategies to reach applicable stakeholder groups.
- Establish partnerships with stakeholder groups to gain public input into the premium rate review education planning process.
- Develop a Rate Review 'Primer' to explain the rate review process to consumers in "plain language."

Customer Strategies Planned

- Issue press releases and public service announcements regarding outreach efforts.
- Develop print materials to post in municipal, county, and state offices and develop handouts for speaking engagements.
- Develop email alerts for consumers to receive updates on companies' rate request filings.
- Conduct webinars on health care and rate review topics.
- Conduct a series of statewide public information and engagement meetings during the planning phase.
- Create tailored presentations and materials for consumer outreach and education for various target groups.
- Work with local partners to reach various consumer groups.
- Use social media such as Twitter and Facebook to reach consumers.

Examination and Oversight.

Other than rate review, there have been no actions needed or taken by AID against insurance companies pursuant to health insurance rates over the past two years. One company self-reported having sold a product for which they had inadvertently failed to obtain approval. The AID worked with the company to make refunds to approximately 150 affected consumers.

In 2010 the Commissioner refused to approve a 40% rate increase for Mercy Health Plans individual product in Arkansas. Mercy had entered the market and greatly underpriced its product in order to gain market share. In refusing to approve the rate increase, the Commissioner informed Mercy that he would approve a rate increase in an amount equal to the medical trend for the product.

The Department was later informed that Mercy Health Plans was being acquired by another company and that Mercy planned to cancel its 6,000 individual policies in Arkansas.

The Department informed the Missouri Insurance Department that it objected to the acquisition until Arkansas policyholders were guaranteed replacement coverage. To this end the Department work with Mercy and its new owners on a plan whereby existing policyholders with pre-existing conditions could obtain coverage through the Arkansas high risk pool and receive a subsidy payment from Mercy to offset the increase premium cost of the high risk pool. This plan was agreed to an implemented in early 2011.

Challenges.

As noted above, AID has identified challenges to overcome as it provides leadership to: 1) protect the public through efficient, modern, and transparent health insurance rate setting, and 2) effect more comprehensive health insurance reform.

In summary, current rate review challenges include: limited AID legal authority for health rate increase approvals; legal restrictions on release of "confidential" insurance company information to the public; lack of AID actuarial expertise; lack of fully integrated and interoperable data systems that can enhance health rate data management, tracking, analyses and reporting to diverse stakeholders including consumers and the HHS Secretary; and limited agency experience in reaching out to diverse consumers and stakeholders in an effort to increase their knowledge so they are better able to meaningfully participate in the rate approval process.

Another challenge will be to sustain energy, focus, urgency, creativity, and coordination/integration of activities among multiple AID Divisions and external constituencies (particularly state agencies, health reform advocates, insurance industry, and consumers) during times of ambiguity and sweeping change. However, these change management attributes will be critical to achieving informed and acceptable health insurance reform with a model that best serves Arkansas citizens.

Rate Review Enhancements.

Under the Cycle II program, AID plans to expand and enhance existing rate review and approval practices and transparency pursuant to Bulletins 6-2011 and 7-2011. The ultimate outcome of improvements in communicating, analyzing, reporting, tracking rate increase requests, and actions is expected to result in increased consumer participation and protection. A specific work plan with goals, activities, and milestones is included as attachment to this document. Additional needed resources are reflected in the budget narrative.

Next steps include regulatory enhancements such as sample communications strategy documents, a rate review transparency and disclosure analysis, training recommendations and implementation, rate review process checklists, "job aids", and a basic rate review manual. (See Exhibit 8) These steps will add rigor and structure to the AID's rate review process, as well as to prepare the AID to meet the requirements of the ACA. AID is considering the following steps:

1. Development of training modules for internal staff.
2. Expand rate review process and capabilities to;
   - review introduction of new rates, and
   - review all requested rate changes rather than those that are just above a federal or state specific threshold.
3. Explore opportunities to expand staff in anticipation of additional rate filings and responsibilities, and enrich resources and advisors with actuarial backgrounds.
4. Developing additional communications materials, including member outreach pamphlets and videos to put on the website.
5. Improving the structure and branding/design of the website, including advancements supporting public outreach and commentary on proposed rate changes.
6. Implementation and advancements to the Excel based "job aids" provided in the attached exhibits.
7. Full implementation of the AID Rate Review Database, including queries and automation of the data entry process, and all applicable interfaces.
8. Incorporating other in-house data sources into the Rate Review Database, including data from the Finance and Examination units.

AID RR will coordinate activities with other state agencies and local organizations to compile and share health care and health insurance data gathered from a variety of sources.

AID will conduct an analysis of how the rate review process could be used to enhance competitiveness of the Arkansas insurance market; improve member health (e.g., preventive screenings), align provider incentives with cost containment or member health goals; reduce waste; and ensure that premiums are spent efficiently. As broad goals and objectives, AID RR will endeavor to:

- **Develop and Upgrade Technology:** AID RR will develop and upgrade existing technology to streamline data sharing and put information in the hands of reviewers and consumers more quickly. AID now requires all rate filings to be made through SERFF which has been expanded to allow for more information to be filed with every rate filing.
- **Improve the Health Insurance Premium Review Process:** AID RR will work with current and future consultants to develop a more thorough review process for filings.
- **Make More Information Publicly Available:** Currently AID discloses approval vs. disapproval via publishing its disposition letters on the web and requires 30 days public notice on rate increases prior to implementation, however no details are published. Using grant funding, AID will create and staff a consumer driven Advisory Council, to improve transparency and communications to all stakeholders via an expanded website as well as create a Rate Review Center for consumers and issuers. Bulletins 6-2011 and 7-2011 provide for consumer input period for every rate filing. In addition, all non-confidential rate filing material will be posted on the Department's website when the material is filed with the Department.

Reporting to the Secretary on Rate Increase Patterns.

The AID attests that it will fully comply with PHS Section 2794 and the Cycle 1 and Cycle II Special Terms and Conditions requirements for reporting trends in premium rating areas as well as reporting individual carrier and aggregate data to the DHHS Secretary. The AID will meet or exceed all reporting requirements outlined in these rules and regulations.

AID RR Participation with the State Exchange

Section 2794 of the PHS Act requires grant participants to make recommendations, as appropriate, to the applicable State Exchanges about whether particular health insurers should be excluded from participation in the Exchange based on a pattern or practice of excessive or unjustified rate increases. The AID RR will fully comply. AID RR meets weekly with the state exchange planning staff to coordinate efforts and define mutual goals and objectives.

Optional Data Center Funding (See Attachment D)

To meet AID's primary goals, the AID must rely on 1) the creation of a Data Center as described in 93.511 **or** 2) contracting with suitable and reliable entities that can provide the required healthcare data in a compatible and automated downloadable format. Either course of action will require AID to request a significant amount of Cycle II grant funding.

Informing and tracking health care reform will require reliable and solid data on all aspects of the health care system. The current adequacy of relevant healthcare data is questionable and varies considerably according to the source.

The AID must have the ability to run reports summarizing the information in all health rate filings, in order to provide the required data and analyses to HHS and the public. Currently, the AID does not store enough rate-related data in a database format that can be easily accessed for reporting purposes or by consumers.

The AID RR is committed to conducting optimal and effective healthcare rate review analyses and processes. AID is also committed to providing mandated reporting to HHS, applicable carriers, the public, health policy analysts, and other interested parties.

Relevant healthcare data collection and processing of the data with automated query capability for each file is the cornerstone for effective rate review.

In order to be able to store rate filing data effectively and run automated queries on this data, an effective healthcare Rate Review Database must be created within the AID.

This robust and multifaceted internal healthcare database will be designed and created so that it is capable of generating all the necessary analytics.

This database will be in a Microsoft Access format, but can readily be converted to a SQL format. For this AID internal database to be truly functional, essential formatted healthcare data must be acquired by the AID.

Furthermore the data source must have the capability of being populated/downloaded automatically into the AID database in a compatible format. Healthcare data sources which are, or could be made available to the AID for its internal database include, but are not limited to the following:

- Optional Data Center (Cycle II)
- SERFF
- Arkansas 'All Payer Claims Database' (APCD)
- Arkansas Department of Health
- University of Arkansas Medical System (UAMS)
- MEPS, AHRQ, CMS or other federal sources
- Health Insurance Carriers
    - ✓ State of Arkansas Employee Benefit Division (self-funded)
    - ✓ Arkansas Blue Cross and Blue Shield
    - ✓ QualChoice
    - ✓ UnitedHealth Group
- Arkansas Hospital Association
- Arkansas Medical Society
- Arkansas Pharmacy Association

If a rate increase is above the "subject to review" threshold, the issuer must submit to the HHS Secretary and the applicable state a preliminary justification before implementation. There are three parts to the preliminary justification:

Part I: Rate increase summary
Part II: Written Explanation of the Rate Increase
Part III: Rate filing documentation

The first two parts comprise a descriptive and quantitative analysis for consumers. They are required for all rate increases subject to review, to be submitted to state and HHS. HHS will post these documents to its website.

The third part is only required to be submitted to HHS if HHS is doing the review. In this case, HHS will post on their website such information from Part III that is not "confidential" under HHS' Freedom of Information Act. HHS will then provide the final determination of whether the requested rate increase is "unreasonable". Since Arkansas has been determined to have an effective rate review program for all markets, AID will notify HHS of its final determination and HHS will post this determination to its website.

The AID RR will require that the data sets for submitted actuarial memorandum should minimally include, *Scope and purpose, Benefit Description, Renewability Clause, Applicability, Morbidity, Mortality, Persistency, Expenses, Commission, Marketing Method, Underwriting, Premium Classes, Issue Age Range, Area Factors, Average Annual Premium, Premium Modalization Rules, Claim Liability and Reserves, Active Life Reserves, Trend Assumption – Medical and Insurance, Minimum Loss Ratio, Anticipated Loss Ratio, Distribution of Business, Contingency and Risk Margins, Experience – Past and Future, Lifetime Loss Ratio,*

History of Rate Adjustments, Number of Policyholders, Proposed Effective Date, and Actuarial Certification.

Other RR Data Analysis Goals

To improve the accessibility, adequacy, and affordability of patient healthcare and healthcare coverage.

- Identifying health and healthcare needs and informing health and healthcare policy
- Determining the capacity and distribution of existing healthcare resources
- Evaluating the effectiveness of intervention programs on improving patient outcomes
- Reviewing costs among various treatment settings, providers, and approaches

Lessons Learned

Finally, the process of procurement and employment by grant holders within the State of Arkansas can be very frustrating and time consuming. All grant funds administered by Arkansas state agencies, whether governmental or private, are processed exactly the same as if the funds were generated from general revenue taxes and have all the limitations thereof. The two primary Arkansas agencies involved are Office of State Purchasing (OSP) and the Office of Personnel Management (OPM). Additionally, all grant fund budgets have to be approved by the legislature which further lengthens the process.

A case in point is the Rate Review Media Center which involved a turn-key, very sophisticated audio visual system. AID RR started this purchase process in November of 2010. The bid in the amount of $120,538 was formally accepted by OSP on July 8, 2011. We now anticipate the Rate Review Media Center being fully operational by August 20, 2011.

Conversely, the AON Hewitt Contract which was formally bid as a Professional Services Request for Proposal (RFP) in the amount of $199,600 was exceptional throughout the many steps of the process. In writing the original RFP, great care was taken to create an innovative and comprehensive scope of services. Nine national and highly reputable companies bid on the RFP.

Early on, AID RR realized that a fundamental and comprehensive assessment of the entire current AID rate review process had to be the logical starting point (Phase I). This assessment of all current components of the AID health insurance rate review process including all related and applicable information technology, data management, authority and rate review processes, regulatory & management reporting requirements, and statewide outreach was finalized in May of 2011.

Phase II was delivered on July 8, 2011 and the recommendations contained therein were specific, innovative, and compatible with state and federal regulations. These recommendations demonstrate superior strategies that will directly impact the success of AID in all aspects of health insurance rate review. The Phase I and II AON reports in their entirely are attached as exhibits.

Evaluation

The AID RR evaluation shall include, but not be limited to, formal weekly staff meetings in which key indicators, identified in the enclosed work plan and milestone exhibits, 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 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 RR as specified in the ACA.

The AID RR 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 comprehensive AON Hewitt reports Phase I & Phase II (See Exhibit 7&8).

Aggressive efforts will include engaging qualified third parties to evaluate ongoing progress of the grant activities. Finally, a competent and reputable third party will be recruited to conduct a formal evaluation of the entire program during the last three months of the three year program.

Mentor

The AID RR will be glad to help mentor other states **if** the DHHS/CMS/CCIIO officials have reason to believe that we have anything useful to offer other states. Additionally, at a suitable time after the Cycle II grant awards have been announced, AID RR would like to offer to host a regional Rate Review meeting at our facility in Little Rock.