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Study: State-level prior approval authority over health insurance rates in the individual market from 2010 to 2013 was associated with a 10 percentage point lower rate of increase in premiums

MINNEAPOLIS/ST. PAUL (Embargoed until 4 P.M. ET August 3, 2015) – A new study published today found state-level prior approval authority over individual market health insurance rates were in effect from 2010 to 2013 was associated a 10 percentage point lower rate of increase in premiums.

The research was published in the August issue of [*Health Affairs*](#), and was conducted at the [University of Minnesota School of Public Health](#) in collaboration with the [University of California, Berkeley School of Public Health](#).

“This study provides the first evaluation of state rate review authority in the individual market in the years immediately following the implementation of the Affordable Care Act,” said [Pinar Karaca-Mandic, Ph.D.](#), lead author and associate professor in the University of Minnesota School of Public Health. “We found significant variations in rate review authority across states and these were highly associated with differences in adjusted premiums.”

Premiums were adjusted for insurance carrier, insurance market, provider market, political, and population differences across states.

The Affordable Care Act (ACA) requires carriers in certain categories of health insurance to provide public justification for rate increases of 10 percent or more. During the 2010-13 time period, 44 states upgraded their health insurance rate review programs by hiring or contracting actuary services, upgraded information systems and enhanced insurance rate transparency.

Study authors collected rate review authority and anticipated loss ratio requirements

from each state and the District of Columbia by examining statutes, regulations, and bulletins and distributed a questionnaire to each state and the District of Columbia.

“Our findings suggest that rate review by states with prior approval authority may be a viable option for moderating the growth in health insurance premiums,” said [Richard Scheffler, Ph.D.](#), principal investigator and distinguished professor of health economics and public policy at UC Berkeley. “Given the massive rate increases in premiums being proposed this year, our results could not be timelier.”

During the 2010-13 time period, the study also found:

- States with prior approval authority and a loss ratio requirement in the individual market experienced lower health insurance premiums.
- States with prior approval authority in the individual market experienced lower growth in health insurance premiums.

"Many states bolstered their rate review programs after the passage of the Affordable Care Act using federal grants, but will now need state funding to maintain their programs," said [Brent Fulton, Ph.D., M.B.A.](#), assistant adjunct professor of health economics and policy at UC Berkeley.

The authors say given the expansions in individual-market coverage, it will be important to further evaluate state rate review authority and activity to determine whether study findings remain in effect over a longer time period and are generalizable throughout the expanded individual insurance market.

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For more information please contact katiphillipsucb@berkeley.edu or visit Petris.org