



June 1, 2012

Linda S. Hall
Director
Alaska Division of Insurance
550 West 7th Avenue, Suite 1560
Anchorage, AK 99501-3567

Re: State-Specific Threshold Proposal

Dear Director Hall:

Thank you for your submission proposing a State-specific threshold in Alaska, in response to the March 30, 2012 Guidance (Guidance) issued by the Centers for Medicare & Medicaid Services (CMS) at the Department of Health and Human Services (HHS). We appreciate your interest in making the Rate Review Program work in Alaska. CMS has reviewed Alaska's State-specific threshold proposal. Upon careful consideration, CMS has determined not to adjust Alaska's State-specific threshold to 17 percent.

The December 23, 2010 Notice of Proposed Rulemaking for the Rate Increase Disclosure and Review regulation (75 FR 81004) (the NPRM), proposed three indices to determine a 10 percent threshold for the first year of the Rate Review Program. These indices are: (1) the medical component of the Consumer Price Index (CPI); (2) the National Health Expenditure data (NHE); and (3) the Standard and Poor's Healthcare Economic Commercial Index. In proposing this approach, we explained that "[t]he 10 percent threshold established in this regulation exceeds these major indices and in doing so balances industry concerns that any threshold would be over-inclusive with the competing concern that it would subject to review too few rates that may be unreasonable." The Rate Increase Disclosure and Review Final Rule finalized this proposed standard for balancing benefits and burdens. By examining the current versions of these three indices, as well as Alaska-specific health care cost data, we have confirmed that the growth in health care costs remains well below the 10 percent threshold.

The current data for the three indices cited are:

1. Consumer Price Index (CPI): Increases in the medical component of the CPI were cited in the NPRM preamble as typically ranging from 3.7 to 4.4 percent. Updated information shows that the same component for the 12-month period ending with March, 2012 was 3.5 percent.

2. National Health Expenditure (NHE) Data: The NPRM preamble indicated that NHE data for the previous five years showed growth rates ranged from 4.4 percent to 6.9 percent. Current NHE data project growth in 2011 and 2012 to be 4.8 percent and 4.3 percent, respectively.
3. Standard and Poor's Healthcare Economic and Commercial Index: The Economic Commercial Index, a 12-month moving average, was 8.5 percent as of September of 2010. As of February, 2012, the index was 8.41 percent.

In addition, although Alaska's average annual health care cost growth per capita is higher than that of other States, both the 1998-2004 average annual growth figure of 8.9 percent, and the 2004-2009 average annual growth figure of 6.9 percent, are below the 10 percent threshold. Therefore, the 10 percent threshold effectively maintains the standard for balancing benefits and burdens as set forth in the final rule.

The March 30, 2012 Guidance states that the purpose of establishing a State-specific threshold is "to capture as many rate increases as possible that ultimately will be determined to be unreasonable, while minimizing the burden on issuers of having to file rates that are likely to be found to be reasonable." In other words, the goal of the Guidance is to strike the balance between the ability to capture potentially unreasonable rate increases and "disclosure of a meaningful amount of public information," while considering the burden on the issuer, the State, and HHS. The emphasis on "disclosure of a meaningful amount of public information" outweighs any potential burden placed on Alaska issuers, the Alaska Division of Insurance, and HHS. After reviewing the filing data included in Alaska's proposal, we concluded that the difference in the number of filings that would be subject to review with a 17 percent threshold and those subject to review with a 10 percent threshold is not significant enough to forego the valuable transparency provided to consumers by the 10 percent threshold.

The 10 percent threshold ensures that a "meaningful amount of public information" is disclosed through the rate review process. Therefore, we believe that our decision to keep Alaska's State-specific threshold at 10 percent strikes the proper balance between burden and transparency considerations.

State-specific threshold proposals will be accepted each year, and you will have the opportunity to submit another proposal in 2013. Again, thank you for your application and interest in the Rate Review Program.

Sincerely,

/Signed, GMC, June 1, 2012

Gary M. Cohen
Director, Oversight Group
Center for Consumer Information and Insurance
Oversight