



NEWS RELEASE

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Consumer Advisory: Health Insurance Rates Continue to Rise

Consumers should be prepared to see rate increases for their health insurance benefits in 2011, the Division of Insurance advises.

“There are a number of factors that affect what premium rates are charged, and many of those factors are going up,” said John Postolowski, interim Commissioner of Insurance. “Consumers need to be aware that in many cases rates are going up and they need to plan accordingly, or be prepared to shop around for other options.”

Some factors which contribute to rising insurance costs include: claims experience (how many claims were filed in the previous year and how severe the claims were), trends in medical costs, (including cost of contracting with doctors, hospital charges, cost of laboratory services, pharmacy costs), cost and frequency of use of imaging (such as MRIs, x-rays, CAT scans), age, geographic location, as well as new benefits that are required by law at both the state and federal level. Sometimes, insurance carriers make business decisions that affect premiums. Companies may offer lower premiums to new customers and adjust current premiums to cover the loss in revenue. New computer systems and payroll and benefits also may figure into the equation.

“Our rate analysts and actuaries look over all submitted rate filings to be sure the proposed rates are justified,” Postolowski said. “While we scrutinize rate increases to be sure they are not excessive, we have to recognize that the cost of providing healthcare continues to rise.”

The Colorado Division of Insurance continues to monitor how much of any increase is attributed to changes in federal law through the Affordable Care Act. “We heard rumblings that companies were blaming premium increases on health care reform. But, companies who are asking for premium rate increases must show which factors are contributing to the increases, and so far, we have found that health care reform is zero to 5 percent of the overall increase for any company’s premium rate,” Commissioner Postolowski said. “However, we are still reviewing proposed rate increases and will continue to monitor the factors that are identified.”

Although a large number of insurance companies file premium rates in the late fall and early winter months for policies which renew in January or February each year, there is no restriction on how often a company may file new rates, if there are new factors they wish to consider. Although employer-sponsored and group plans usually contract for a year and set

premiums for a twelve-month period, individual health insurance plans may see several adjustments (increases or decreases) throughout the year.

For the 10 largest carriers in Colorado offering coverage in the individual health insurance market, the average annual change in rates from January first, 2010, to January first 2011, is approximately 12.9 percent. However, individuals may see large variations from the average based on their individual situations.

A comprehensive list of factors which affect premium rates is on the Division of Insurance website:

<http://www.dora.state.co.us/insurance/consumer/fhcr/fhcrRatingDemographicFactorsAffectingHealthPremiums110410.pdf>

The Division has compiled a list of "Frequently Asked Questions" to help consumers understand how health insurance premium rates are reviewed and approved. That list of questions and answers can be found here:

<http://www.dora.state.co.us/insurance/consumer/HealthRateFAQs.htm>

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DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.