

**Q: Do health insurance companies have to submit a rate filing every year?**

**A:** Health insurance companies must file rates if there is going to be a change in premium rates, whether rates are going up or down. An annual rate filing is not required when no change in rates has been requested. Health insurance companies are allowed to submit rate filings more than once a year; however, this practice is highly discouraged. All previous rate filings within the past year are taken into account when reviewing a rate filing.

**Q: Why do insurance companies have to submit a filing if the rates are going down?**

**A:** The Department must review whether a company is financially secure. We do not want rates that are so low there will not be adequate financial resources to cover policyholder claims (inadequate rates). This could result in policyholders' claims not being paid or possible solvency issues with the insurance company.

**Q: How long does it take to review a filing?**

**A:** The review time depends on many factors, including the size of the filing, the number of consumers potentially affected, the company's history in Nebraska, the amount of increase requested, the justification included in the filing and the company's experience with this insurance product. The Department staff may spend several hours on the review with the option of referring to the director if there are additional questions or issues. After a rate has been submitted to the Department, the Department will usually issue a decision within 30 days. If there is a substantial issue, or more information is needed from the company, a letter is sent giving the company the opportunity to resolve the issue(s).

**Q: How will Nebraska's rate review process change following passage of the Patient Protection and Affordable Care Act?**

**A:** Major changes to health care are occurring at the federal level. National health reform will have a significant impact on how health insurance is structured in Nebraska and other states. As part of the Patient Protection and Affordable Care Act, the Federal government has provided grant funds to Nebraska to enhance the premium rate review process and consumer education and outreach. The State of Nebraska intends to meet these goals by contracting with an actuarial consulting firm to provide more detailed rate reviews. The grant will also be used to increase transparency and to fund consumer education regarding health rates.

**Q: Where can I register my comment about my company's latest premium increase?**

**A:** Public comments can be offered at [Doi.HealthRateReview@Nebraska.gov](mailto:Doi.HealthRateReview@Nebraska.gov).



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Nebraska Department of Insurance

## Understanding Health Insurance Rates

Nebraska Department of Insurance  
941 O Street, Suite 400  
PO Box 82089  
Lincoln, NE 68501-2089  
Phone: 402-471-2201  
Website: [www.doi.ne.gov](http://www.doi.ne.gov)

# Frequently Asked Questions about Health Insurance Rates

The Nebraska Department of Insurance reviews and approves health insurance rates for individual, small group, and large group coverage before these rates can take effect in Nebraska. Below are frequently asked questions about health insurance rates and about new initiatives to strengthen the rate review process and make it more transparent.

## **Q: Why have rates increased so dramatically?**

**A:** As the cost of health care continues to rise, many insurance companies have found it necessary to raise premium rates. Rates are driven by medical spending, which is growing because of many factors including provider charges, increased use of health care services, new technologies, prescription drugs, an aging population, and unhealthy lifestyles. Rate changes can vary depending on a company's financial situation and whether its existing premiums cover its projected claims and administrative costs.

## **Q: Why do rates go up even when the individual insured has not filed a claim?**

**A:** Insurance is a pooling of risks, so individuals pay a share of the pooled experience in exchange for getting the coverage they purchased. Otherwise, if an individual had to pay the full rate for his/her claim paid by the insurance company, it would not be insurance. Consumers purchase insurance to protect themselves for unforeseen financial misfortunes. Consumers may not have any or have only minor health-related claims for an extended period of time and then experience a serious accident or illness that they don't have the financial ability to cover on their own.

## **Q: Why does the rate increase vary sometimes between participants within the same plan?**

**A:** Companies will provide the overall average rate impact of the changes it is making. Depending on the different rate factor changes, some consumers may only be impacted by reductions the company is making in certain factors while other consumers may be impacted by the rating factors that are being increased. Rate filings list the average rate impact and the minimum and maximum rate increase amounts. The Department of Insurance may receive general information about the distribution of the increases/decreases based on a range, but not by consumer name.

## **Q: How do Nebraska's health insurance rates compare to other states?**

**A:** Premium rates are going up across the country. Nebraska ranks in the middle compared to other states.

## **Q: How does the Department decide whether to approve or deny an increase?**

**A:** When a carrier requests a rate increase, the Department looks at many factors, including the cost of medical care and prescription drugs, the company's past history of rate changes, the financial strength of the company, actual and projected claims, premiums, administrative costs, and profit. The Department approves the request if the company can show that the new rate is reasonable in relation to the benefits provided and is actuarially sound. If the company's data and justification does not fully support the increase, the Department can ask for more information, negotiate a smaller increase, or request the company to withdraw its filing. The Department can also disapprove the filing.

## **Q: What is the Department looking at when it reviews a rate filing?**

**A:** The Department reviews the rate filing to see if the rate that will be charged is excessive, inadequate, or unfairly discriminatory. The Department also looks for math errors, justification of rates, and factors used to support the proposed rate.

**Excessive Rates:** Rates that are unreasonably high in relation to the benefits provided and the underlying risks.

**Inadequate Rates:** Rates that are unreasonably low in relation to the benefits provided and the underlying risks, and continued use of the rates endanger the solvency of the insurer.

**Unfairly Discriminatory Rates:** Rates that are not actuarially sound and are not applied in a consistent manner so the resulting rate is not reasonable in relation to the benefits and underlying risk.