

State-federal review of health insurance rate increases begins, double-digit price hikes must be justified

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New rules bring transparency and lower costs to families and businesses

Today, health insurers seeking to increase their rates by 10 percent or more must submit their request to state or federal reviewers to determine whether they are reasonable or not. This rate review program, created by the Affordable Care Act, will bring greater transparency, accountability, and, in many cases, lower costs for families and small business owners who struggle to afford coverage.

In a growing number of states, regulators now have the authority to deny or reduce rate hikes found to be excessive. Insurers that insist on going ahead with double-digit rate increases are required to post their justifications on their website, and state and federal regulators will post them as well.

“For far too long, families and small employers have been at the mercy of insurance rate increases that often put coverage out of their reach. Rate review will shed a bright light on the industry’s behavior and drive market competition to lower costs,” said Kathleen Sebelius, Secretary of Health and Human Services. “We are pleased to team with states to bring this important new protection to consumers and employers.”

As of today, insurers proposing double digit increases will have to provide clear information that indicates what factors are causing proposed increases. Experts will closely examine information about the underlying cost trends in health care to flag instances when insurance companies are unjustly raising costs. This means consumers will no longer have to take the word of their insurance company; they will have an independent expert reviewing their proposed rate increase.

Starting mid-September, consumers in every state can go to HealthCare.gov to view easy-to-access, consumer-friendly disclosure information explaining proposed increases that are 10 percent or higher than last year’s rates. Consumers will see a summary of the key factors driving rate increases and an explanation provided by insurance companies for why the proposed increase is needed. And, for the first time, consumers in every state will also be given the ability to comment on large proposed rate increases.

“Thanks to the Affordable Care Act consumers no longer have to navigate the health insurance

market blindly and on their own,” said Steve Larsen, director of the Center for Consumer Information and Insurance Oversight. “The next time your insurance company tries to raise your premium by double digits, it will have to give you and rate review experts a good reason – or be labeled as unjustified, or in some states denied.”

States continue to have the primary responsibility for reviewing insurance rates. Because many states have lacked the resources needed to perform strong rate review, the Affordable Care Act provides \$250 million in Health Insurance Premium Review Grants to states over five years. These new resources will improve how states review proposed health insurance rate increases and hold insurance companies accountable for unjustified premium increases. States and territories are already using \$48 million in rate review grants, and HHS has made an additional \$200 million available to states and territories to strengthen and improve their rate review processes.

“Thanks to our Affordable Care Act grant funds, our rate reviews are more in-depth, and we recently proposed to use future grant funds to incorporate public hearings into our rate reviews,” Oregon Insurance Division Administrator Teresa Miller said. “We have already received valuable feedback from consumer groups and look forward to continuing to improve our rate review process”

For more information on rate review and today’s announcement, please visit:<http://www.healthcare.gov/news/factsheets/ratereview09012011a.html>.

For more information on significant State achievements with rate review, please visit:<http://www.healthcare.gov/news/factsheets/ratereview09012011b.html>

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