

Managed Care Regulation in FL

House Health Care Regulation Committee

February 9, 2005

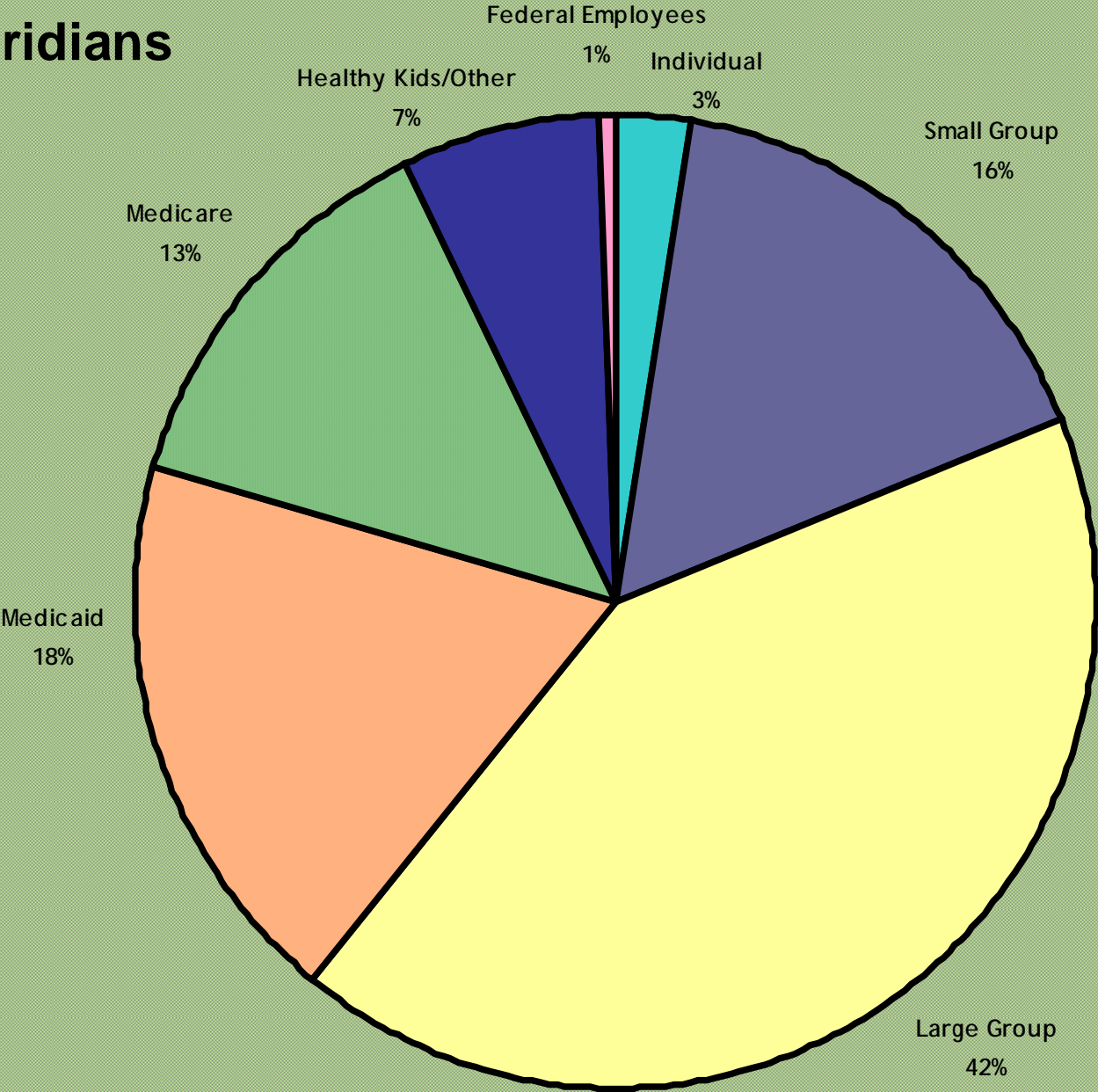
Rich Robleto, Deputy Commissioner

Florida Office of Insurance Regulation



**Office of
Insurance
Regulation**

26 Active HMO Carriers 4.1 Million Floridians



SOURCE: Data compiled by Florida Office of Insurance Regulation from quarterly solvency reports 09/30/2004

Financial Solvency Standards

- Minimum surplus that is the greater of:
 - \$1.5 million
 - 10% of total liabilities
 - 2% of total annualized premiums
- Annual and quarterly financial statements
- Annual CPA report
- Actuarial review of reserves

Other Solvency Standards

- Most products have required Forms and Rate review
- Affiliate transactions are regulated
- Management/Administrative/Provider contracts subject to review
- Biographical statements, fingerprints, background investigations required for owners/officers/directors
- Permitted investments specified
- On site examinations performed

Primary Causes of Life and Health Insolvencies for the period 1992 to 2002

Inadequate Pricing	25%
Affiliate Problems	22%
Rapid Growth	13%
Alleged Fraud	11%
Investment Problems	8%
Reinsurance Failure	4%
Significant Change in Business	2%
Miscellaneous	15%

Form and Rate Review

- Ensure compliance with statute
 - Contract requirements
 - Consumer protections
 - Continuity of coverage
- Prohibit
 - Inconsistent, ambiguous or misleading clauses
 - Exceptions or conditions that deceptively affect risk purported to be assumed
 - Prohibit premium rates that are excessive, inadequate, or unfairly discriminatory

Florida Rate Regulation

- General
 - Minimum loss ratio
 - Prohibited practices
 - Durational rating
 - Select and ultimate rating
 - Required practices
 - Pooling of similar forms

Florida Rate Regulation

- Individual
 - Pre-funding of underwriting wear-off
 - 70% loss ratio
- Small Group
 - Modified community rating
 - Gender/age/family composition/tobacco use/ geographic area
 - Health status/claims experience/duration
 - 65% loss ratio
- Large Group
 - Exempt from prior approval of rates
 - 70% loss ratio

Questions

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Florida Rate Regulation

- How to develop a rate
 - Estimate claim costs per person
 - Projected from history
 - Actuarial studies and statistical tables
 - Other industry data
 - Add expenses load
 - Commissions and acquisition costs
 - Administrative costs
 - Profit/contingency
 - Limited by loss ratio

Florida Rate Regulation

- How to develop a rate
 - Formula:
 - Claims cost divided by loss ratio equals premium rate
 - Examples
 - Claims Cost = \$75 pmpm
 - At 65% loss ratio, rate = \$115.38
 - At 70% loss ratio, rate = \$107.14
 - At 85% loss ratio, rate = \$93.75