

A Consumer's Guide to

HEALTH INSURANCE RATE REVIEW *in North Carolina*

Health Insurance Smart NC was developed by the North Carolina Department of Insurance to help North Carolinians better understand their options and rights related to health insurance.

We can help you:

- File complaints or appeals with your health insurance company.
- Identify enrollment opportunities for health insurance coverage.
- Understand your rights and responsibilities regarding health insurance coverage.
- Request an external review if your health insurance claim was denied.
- Learn about health insurance-related issues.

***If you're having trouble finding,
keeping or using health insurance...
we can help.***

Start here.



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RATES and PREMIUMS

In North Carolina, the base price for health insurance is known as a **rate**. A **premium** is the specific amount a policyholder pays for insurance coverage and is calculated using the rate. Your actual premium will be higher or lower than the rate depending on many different factors, such as age, geographic location, the family members covered and the benefit package selected.

If you purchase individual health insurance, you generally pay the whole premium cost (unless you are eligible for some type of subsidy). If you purchase health insurance through your employer, you and your employer may share the premium cost, or you may pay the whole premium cost.

The RATE REVIEW Process

Rate review is a process that allows the **North Carolina Department of Insurance** to review health insurance rate changes before insurance companies can apply them to you.

To request a rate change, insurance companies must submit a rate filing to NCDOI. Staff members in NCDOI's Life and Health Division review all filings for compliance with applicable statutory and regulatory requirements, and they work with department actuaries to assure that any rate changes are justified and adequate to cover claims. Proposed rate increases are approved or disapproved based on the overall review.

Plans subject to the rate review:

- Individual health insurance plans
- Small employer group plans (1-50 eligible employees)
- HMO plans
- Hospital/Medical Service Corporation plans (such as for BlueCross and BlueShield of North Carolina)

Plans that are not subject to rate review:

- Large group plans (more than 50 employees or association members). These groups may negotiate prices with the insurer.
- Self-insured employer plans that are not subject to state regulation.

Frequently Asked QUESTIONS

What do the insurance companies do with the premiums they collect?

Generally, most of the premiums go toward payments of medical claims and programs to improve health. The premiums also cover administrative costs, such as premium collection, claims processing, marketing, company operations, salaries for employees who help administer the policies, agent/broker compensation (if applicable), and taxes. The remainder of the premiums is potential profit or gain for the insurer.

Under new federal law, the insurer must utilize a certain percentage of premiums to pay for medical claims and programs to improve health. If an insurer fails to meet that percentage, then the insurer is required to provide rebates to consumers.

Note that the insurance product must be priced to ensure that the insurance company is able to pay claims.

I have individual health insurance; will my insurance company increase my rates if I get sick and make numerous claims?

Not directly. Each consumer is placed in an insurance pool, and the entire pool's medical costs will influence a rate increase from year to year. Your individual health status alone will not cause your rates to increase.

What information is available about my rate increase?

Under new federal laws, insurers must provide a consumer-friendly description of why rates are increasing when the rate increase exceeds 10 percent annually. (Note again that the rate may be different than your specific premium.) The disclosure can be found on the federal government's website www.healthcare.gov, as well as on the insurer's website. Additionally, some limited, mostly technical, information is available from NCDOI about all rate changes.