

Insurance Division, 350 Winter St. NE, Salem, Oregon 97301-3878

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For more information:
Cheryl Martinis: 503-947-7213
cheryl.l.martinis@state.or.us

State lowers Regence rate increase to 12.8 percent *Company requested 22.1 percent*

(Salem) — The Department of Consumer and Business Services (DCBS) on Tuesday rejected a 22.1 percent health insurance rate increase request from Regence BlueCross BlueShield of Oregon and instead approved a 12.8 percent increase.

The increase affects about 59,000 Regence customers who buy individual health plans directly from the company. It is an average, meaning some Regence members will see greater or lesser increases in their September bills.

The department disagreed with Regence's estimates of future claims costs, including some reform costs under the federal Affordable Care Act. Additionally, Regence had built into its rate request a 1.1 percent profit, which DCBS found unnecessary given that the company's current surplus is healthy.

"We hope this more modest rate allows Oregon policyholders to continue their coverage, leading to greater stability in rates and enrollment going forward," Insurance Division Administrator Teresa Miller said.

Regence's individual plan enrollment peaked at more than 100,000 members in 2007, the year after the company decreased rates by 16 percent. However, since 2007, Regence has sought a series of rate increases to stem losses on its plans, and individual enrollment dropped to less than 60,000 members. Regence estimates that it will continue to lose money on its individual plans with the lower amount approved by the department.

"Although we were able to reduce this rate increase significantly, ultimately, the key to stabilizing insurance rates is controlling the underlying costs of medical care," Miller said.

Because this increase affects so many Oregonians, the department held a public hearing on Regence's request on June 2. The department also received hundreds of comments online, as well as detailed analysis from OSPIRG on behalf of consumers.

Many Regence members asked why the company needed such a significant rate increase after changing its plans last year to allow members to choose reduced benefits for lower premiums. The company said that federal health care reforms required it to offer benefits – such as preventive care with no cost sharing for members – that it had not planned to offer. DCBS acknowledged this was correct, but adjusted the amount of additional expense Regence attributed to the reforms.

As it does for every rate decision, the department posted an explanation of its rate decision and a response to issues raised by OSPIRG. A federal grant administered by DCBS funds OSPIRG to review rate requests on behalf of consumers. Find these documents here: http://www.oregonhealthrates.org/?pg=public_hearing.html.

The department has taken many steps in recent years to strengthen its rate review process and make it more transparent. DCBS lowers health insurance rate increases in about 50 percent of requests but the amount varies greatly by company, depending on its unique financial situation. Visit www.oregonhealthrates.org to learn more about the rate process and to sign up for e-mail notifications when a company files a rate request or the department makes a decision.

The Regence increase that was approved this week does not affect small employers or those with Regence portability or Medicare policies. Rate requests for different insurance markets are filed separately.

Consumers who have questions about health insurance or other types of insurance can call the Insurance Division's consumers advocates at 1-888-877-4894 or, in Salem, 503-947-7984.

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