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New Hampshire Insurance Commissioner Releases First Annual Health Insurance Rate Report

CONCORD, NH – April 13, 2012 - New Hampshire Insurance Commissioner Roger Sevigny announced today the release of the Commissioner's First Annual Health Insurance Rate Report. This report focuses on health insurance premium rates and cost drivers and follows a public hearing held in October 2011.

Key findings discussed in today's report include the following:

- 1. When comparing costs for a fixed benefit package, premiums grew 14% between 2009 and 2010.**

This overall estimated increase breaks into large employer, small employer and individual (non-group) premium growth rates of 6%, 15% and 39% respectively.

- 2. Premium increases were driven by several years of rapid growth in health care claims cost prior to 2010, especially for hospital outpatient services.**

Health insurance premiums typically reflect the cost of claims in the years immediately prior to the year the rate is set – thus, for the 2010 policy year, the rates reflect claims costs in the years leading up to 2010. Services cited by carriers as being particularly expensive and responsible for this cost growth include outpatient surgery, outpatient laboratory, and IV infusion therapy. Actual claims costs for 2010 were far lower than carriers expected based on the prior years' costs.

- 3. The average level of benefit coverage dropped 10% between 2009 and 2010.**

The price of coverage went up by 14% on average, but actual premium revenue collected by carriers grew by only 2.6% because buyers chose coverage packages with reduced benefit levels. Benefit buy-downs typically reduce the level of premiums paid, but also increase the level of cost sharing (copays, deductibles, etc.) for patients.

4. Per-person service use in this period declined by 2.2%

Provider prices increased by 5.4%, but growth in overall payments to providers dropped dramatically in comparison to prior years, going from 9% growth in 2009 to 3% growth in 2010.

5. Carrier profits in New Hampshire averaged 1.8% of premium revenue.

Anthem, with 45% of the market, had an underwriting gain of 6.6%. This is more than twice the national average of 3.1%. The other three carriers lost money.

“The analysis contained in this report continues the Department’s effort to better understand and explain health insurance premium growth and to provide information that will help New Hampshire’s policymakers develop strategies for controlling costs and increasing the efficiency of New Hampshire’s health care financing and delivery system,” said Commissioner Sevigny. “To my mind, one of the most interesting findings of this report is the dramatic reduction in benefit levels that occurred in 2010. This finding provides support for the notion that the New Hampshire market has reached a tipping point where purchasers are accepting lower benefit levels and more patient out-of-pocket costs in order to keep premium growth to a minimum. It is also possible that this dramatic increase in patient cost sharing is linked to the decrease in per-person health care service use.”

The analysis considered claims costs, administrative loads, and health carrier profits. However, there are more fundamental, underlying factors, such as new medical technologies and other systemic developments, that are also part of the health insurance and health care cost equation. In future reports, the Department will explore some of these issues, such as the correlation between health care prices and the extent to which premium rates in the commercial insurance sector may be affected by lower payments to health care providers from Medicare, Medicaid, and the uninsured.

A copy of the report is available on the New Hampshire Insurance Department website at <http://www.nh.gov/insurance/consumers/documents/1sthirr.pdf>

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