

## **Health Insurance Rate Review Grant Program**

**Submission Date:** February 23, 2011

**State:** Arkansas

**Project Title:** Arkansas Health Insurance Rate Review Grant Program

**Project Quarter Reporting Period:** Quarter 1 (08/09/2010-12/31/2010)

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## **Introduction:**

The Arkansas Insurance Department (“AID”) plans to: 1) greatly expand its legal authority for health insurance ‘rate review’ (“RR”) and approval/disapproval; 2) enhance expertise for health rate reviews; 3) enhance technology and programmatic infrastructure to effectively collect, analyze, track and report health insurance rate filings and outcomes to diverse stakeholders including the general public and enrollees, insurers, health care providers, and policymakers, including state legislators and the DHHS Secretary; and 4) create a health insurance rate review education, outreach, and training program dedicated to information dissemination about rate approval processes and rate trends to diverse stakeholders including the general public and special consumer populations, policymakers, health insurers, health care providers, and the business community.

The HHS/CCIIO funding of one million dollars will be used to: 1) enhance staff and technical expertise/efficiency for rate reviews through actuarial/information technology, consultation and process improvements and automation to the extent possible; 2) increase the size of the AID rate review staff; 3) create and staff an active consumer-driven Advisory Council to assist with implementing meaningful methods to improve consumer knowledge and involvement in rate approval processes; and 4) equip a modern, state-of-the-art Rate Review Center at AID that will serve as the “nerve center” for health insurance rate review information exchange with the general public, legislators, state agencies, stakeholders, and professional health industry groups. The Rate Review Media Center will greatly improve AID’s ability to train and upgrade internal staff as well as house RR “Public Hearings.”

AID plans to obtain broad rule-making authority for all insurance rate matters and to immediately expand prior approval authority for small groups. This will include amending the definition of small group from “2-25” to “2-100.” Actuarial and information technology consultation made possible by the Cycle 1 funding will be used to evaluate needed process improvements and plan and implement strategic improvements. These improvements are expected to result in more in-depth and comprehensive rate review requirements with transparent processes, routine trend analyses, benchmarking, and active public and industry reporting. The ultimate goal is consumer protection and improved health care access.

## **Program Implementation Status:**

### Accomplishments to Date:

- Outreach program well underway with “focus groups” meetings and communications;
- Major ‘Rate Review’ RFP prepared, issued, and vendor selected. Final contract has been executed and the vendor has already begun work;
- The Media Center RFP has been written and is ready to be issued;
- The majority of the RR grant staff positions have been filled with employees in place;
- Office space, furniture, computers, and communication equipment have been procured.

### 1. Challenges and Responses:

State rules and regulations have hampered progress in employment, procurement, and the hiring process. This has resulted in considerable delays in filling the two remaining vacant staff positions:

- **Rate Review Compliance Officer** The RRCO must have five years experience being meaningful engaged in health insurance actuarial certification processes. The RRCO would lead team efforts at AID in implementing new and expanded rate review procedures and processes, and ultimately manage the process as soon as it is operational. Additional responsibilities will include review of less complex rate filings that do not require review by a certified contract actuary.
- **Rate Review System Analyst** The RRSA would be required to have a minimum of six years experience and expertise in IT systems, database platforms/database support, virtual infrastructure, storage subsystems, remote interfaces, and web applications, and development.

2. Describe any required variations from original timeline.

The challenges stated above, concerning state rules and regulations, have caused about a sixty- day delay/variation across the board from the original AID grant timelines. AID will take whatever steps necessary to make up this lost time.

### **Significant Activities: Undertaken and Planned:**

- a) *Professional Services.* (RFP ID-11-1001) \$199,600 was awarded and is currently being implemented. (See Exhibits # 3 & 4). This will be a major project for Rate Review with a substantial positive impact.
- b) *Rate Review Legislation.* AID has filed its proposed 'Premium Rate Review' legislation in both the Arkansas House and Senate. The proposed legislation is similar to the Oregon statutes. This legislation has the full support of Governor Mike Beebe. Since Commissioner Bradford is a twenty- four year veteran of the Arkansas Senate and House, he has established strong support among the legislators of both. Legislative hearings will begin shortly, and AID expects quick approval since this legislative session is set to end on or before April 10, 2011. (See Exhibit Two). In support of this proposed legislation, Commissioner Bradford convened a legislative task force of stakeholders to gain support. This task force met three times in the last two months to discuss the legislation. These were well attended by a diverse group of stakeholders. In addition, one-on-one meetings were held with legislators, including committee chairmen, seeking a broad base of support. As soon as the legislation is passed and signed by the Governor, AID will write the rules and regulations to implement the enhanced rate review process.

### **Operational/Policy Developments/Issues:**

There have been no identifiable barriers or issues regarding State of Arkansas Rate Review legislation thus far. Great care was taken to insure that potential barriers were eliminated before they could become problems. As stated previously, state procurement and state hiring processes have been problematic and caused delays. AID is working diligently to overcome these limitations.

### **Public Access Activities:**

The Arkansas Insurance Department is launching a statewide stakeholder engagement outreach campaign to provide transparency and promote public awareness while educating the public regarding the premium rate review process in Arkansas. Fundamental outreach material is being developed to assist in implementing this effort.

Currently, AID discloses approval or disapproval of premium rate increase requests by publishing disposition letters on the AID website. Current law requires a 30-day public notice on rate increases prior to implementation. Using grant funding, AID will improve transparency and communication to all stakeholders through an expanded website, a Rate Review Center for consumers and issuers, statewide speaking engagements and meetings.

AID RR will develop a website capability that will give Arkansas consumers interactive and user-friendly access to all rate request documents online, and the ability to offer comments within 30 days of the posting. Consumer comments will be posted on the AID website and will be part of the review of the proposed rate. Consumers will be able sign up on AID's website to be notified by e-mail when a company files a rate increase request. All information submitted as part of an insurance company's rate request will be public and posted on the division's website except that which is contained in ACA 23-61-103(4) which states that... "actuarial formulas and assumptions certified by a qualified actuary are confidential and privileged when submitted to comply with a rate or form filing requirement."

A standard feature of the filing will be a plain-language summary highlighting the insurer's request and its five-year history of rate increases for that line of insurance. The posting of the RR filing on the AID website triggers two key timelines:

- A 30-day public comment period;
- A 40-day timeline for the division to review the filing and issue its decision.

- ❖ AID will file a plain-language summary on its website listing key factors underlying each rate filing decision.
- ❖ Public Hearings will be conducted to enhance the rate review process.
- ❖ AID is establishing partnerships with various stakeholder groups to gain public input into the premium rate review education planning process.

**Strategies Undertaken:**

- To create an active consumer-driven Advisory Council to assist with implementing meaningful methods to improve consumer knowledge and involvement in the rate approval processes.
- To work with the SERFF team to enhance the AID website to make rate review filings current and accessible to the public.
- To identify the appropriate target market for its outreach efforts.
- To develop needed outreach strategies to reach applicable stakeholder groups.

**Strategies Planned:**

- To build a coalition of stakeholder groups (such as consumers, national and community-based insurers, legislators, health care providers, advocacy groups, business associations).
- To develop a Rate Review ‘Primer’ which will explain the rate review process to consumers in “plain language.”
- To develop tailored presentations and materials for consumer outreach and education for various target groups.
- To conduct a series of statewide public information and engagement meetings.
- To work with local partners to reach various consumer groups.
- To issue press releases and public service announcements regarding outreach efforts.
- To develop print materials to post in municipal, county, state offices and for handouts during speaking engagements.
- 1-800 consumer inquiry service.
- To develop e-mail alerts for consumers to receive updates on companies’ rate request filings.
- To conduct webinars on health care and rate review topics.
- To use social media as a method to reach consumers with information; Twitter and Facebook

The barriers and challenges the AID anticipates would include public confusion. Consumers remain confused about how the Affordable Care Act will affect them. To rectify, AID will compose health insurance “101” presentations and primers which will help consumers gain a better understanding of their health care costs and how premium rates affect them. As mentioned previously, AID will launch a statewide stakeholder engagement campaign to disseminate correct, current, and meaningful information.

**Collaborative Efforts:**

The Arkansas Insurance Department coordinates with all the stakeholders previously mentioned, as well as the SERFF team, department heads, various other stakeholder groups including representatives from other Arkansas state agencies, the Governor’s office, legislators, consumer task forces, and even other states to develop and implement outreach enhancements. AID also participates in all NAIC working group conference calls and HHS conference calls dealing with rate review.

**Lessons Learned:**

We are carefully heeding the lessons learned by various AID department heads and representatives from other state agencies who have implemented outreach programs. More importantly, from our preliminary “focus group” meetings, we have learned that there is a substantial “illiteracy” in regard to health care insurance, health care coverage, health care delivery, and especially the rate review process. As stated previously, State rules and regulations have hampered progress in employment, procurement, and the hiring process.

**Updated Budget:**

No unforeseen expenses have occurred. The current allocation of grant funds closely follows the progression of the detailed budget provided in AID’s original grant application. All grant funds, expended to date, have been used to enhance the rate review process, and no funds have been used to replace any current department expenditures for rate review. AID, at all times, has fully complied with federal “Maintenance of Effort” requirements and maintains its current Rate Review MOE @ \$14,500 annually. (See Exhibit Seven for a detailed budget account of expenditures to date)

**Updated Work Plan and Timeline:**

(See Exhibit One – RR Timeline)

During the last quarter, the Rate Review (RR) Manager, RR Public Information Officer, and the RR attorney were hired. Office space was acquired on the 2<sup>nd</sup> floor of AID building. Office furniture, equipment, telecommunications, and supplies were acquired.

Additionally, a very robust outreach program was initiated. On February 3, 2011, the first ‘Rate Review Stakeholder’ meeting was held to solicit ideas and input regarding the premium rate review outreach campaign. Many state agencies had attendees, as did several prominent stakeholder groups. The Rate Review staff presented the outreach campaign and then opened the meeting for comments and suggestions. That meeting and the follow-up activities have proven to be invaluable.

However, the most significant rate review activity will be the implementation of RFP Number: ID-11-1001 issued for Premium Rate Review Grant Professional Services. This is a major program that will be conducted by AON Hewitt. AON Hewitt is a highly reputable international firm with more than 29,000 employees. AON Hewitt has more than seventy employees working in AON Hewitt offices in downtown Little Rock, located within four blocks of the ‘AID’ building. February 24<sup>th</sup> will be the first onsite organizational meeting between the ‘Rate Review’ staff and the AON RFP team.

- a) Phase I of the RFP will require a comprehensive assessment of all current components of the AID health insurance rate review process including all related and applicable information technology, data management, regulatory & management reporting requirements, and statewide outreach.
- b) Phase II will require a clear analysis of the information derived from Phase I and a subsequent submission to AID of detailed findings, recommendations, and a focused plan of implementation. The Phase II final submitted recommendations must be specific, innovative, and compatible with state and federal regulations. These recommendations should demonstrate superior strategies that will directly impact the success of AID in all aspects of health insurance rate review.

AID will endeavor to create maximum transparency to the public in the health insurance rate review process. This will include, but not be limited to, AID website, outreach, public relations, education, and public hearings on relevant requests for rate increases. On or before March 15, 2011, AID intends to issue the Media Center RFP.

**Enclosures/Attachments:**

Exhibit One	Timeline	Page # 5
Exhibit Two	Legislation	Page # 6
Exhibit Three	ID-11-1001 RFP Scope of Services	Page # 7
Exhibit Four	Summary of RFP 1 & RFP 2	Page # 9
Exhibit Five	SERFF	Page # 11
Exhibit Six	Outreach	Page # 14
	Focus Meeting Minutes	Page # 16
Exhibit Seven	Budget	Page # 17

## EXHIBIT ONE

### AID Rate Review Timeline

June 7, 2010	Submission of grant application to HHS
August 9, 2010	HHS grant funding awarded
October 15, 2010	Hired Rate Review Manager, Dr. Lowell Nicholas
December 3, 2010	Professional Services RFP Number: ID-11-1001 issued for Premium Rate Review Grant Professional Services.
December 4, 2010	Office space acquired, 2 <sup>nd</sup> floor of AID
December 14, 2010	Vendor questions for clarification deadline
December 21, 2010	Answers to vendor's questions posted online
January 11, 2011	Hired Public Information Officer, Sandra McGrew
January 11, 2011	Office furniture and equipment acquired
January 20, 2011	Office supplies acquired
January 21, 2011	RFP proposal submission deadline Eight vendors submitted proposals, one disqualified
January 31, 2011	RFP anticipated award granted to AON Hewitt, posted on web
February 3, 2011	Stakeholder meeting to receive ideas and input regarding premium rate review outreach campaign.
February 3, 2011	Hired Rate Review Attorney, Bob Alexander
February 14, 2011	RFP final award given to AON Hewitt
February 21, 2011	Move-in date for new offices
February 21, 2011	Anticipated date for hard-line phone installation
February 24, 2011	First onsite organization meeting with AON RFP team.
March 15, 2011	Anticipated date for issuance of Media Center RFP

## **EXHIBIT TWO**

### **Arkansas Rate Review Legislation Report**

#### **INDIVIDUAL RATES**

Under existing law the Insurance Commissioner must approve all individual health insurance rates prior to their use in Arkansas. Insurers are required to attach to their filing request a guaranteed loss ratio for each filing. There are no other specific filing requirements except that which is contained in AID Bulletin 4-79 which requires certain data to be furnished when submitting rates for individual accident and health insurance. Also, AID Bulletin 12-81 (9) outlines that all individual health insurance rate filings must be accompanied by the actuarial data. The Department's position is that a projected loss ratio less than 50% is not a reasonable relationship between benefits and premiums. To disapprove a rate filing the Commissioner must find that the rates are unreasonable for the benefits provided.

Our proposed legislation is modeled after the Oregon statutes. These amendments expand the filing requirements, the Commissioner's authority to review additional information and the material that will be made public as part of the rate review filing. The legislation also allows the Commissioner to adopt new rules governing the rate review process. The legislation adds new provisions for public comment periods and the posting of rate review material on the Department's website.

Our proposed legislation has been filed in the legislature this session. It has the support of our Governor's office as well as key members of our legislature. Our Commissioner is a 24 year veteran of the legislature and has established strong support in that body. Our current session is set to end on April 10, so we expect quick approval of our changes.

#### **Small Group Market**

Under current law, the Commissioner does not have prior approval authority over premiums for any group health insurance products including small employer groups. Our current law creates a small group market that includes restrictions on premium rates. This small group law only applies to employers with no more than 25 employees. In regards to rates, carriers are only required to file with the Commissioner an annual actuarial certification.

Our proposed legislation requires all small employer carriers to file all rating practices and underwriting guidelines with the Commissioner for approval prior to their use. The proposed law requires rating information to be public information and increases the number of employees for small employers to 100. The Commissioner is also given the authority to adopt new rules to implement these changes.

These amendments have filed with the legislature and have the support of the Governor and key members of the legislature. We expect swift approval of the changes.

## **EXHIBIT 3**

### **Scope and Services of Rate Review Request for Proposal 'RFP ID-11-1001'**

#### **PURPOSE**

This Request for Proposal (RFP) will enable the Arkansas Insurance Department to select a highly qualified vendor who will assess, research, develop, and recommend a comprehensive plan for the complete upgrade of the existing AID system of health insurance rate review as well as all related and applicable technology.

This RFP will consist of two phases. Phase I of the RFP will require a comprehensive assessment of all current components of the AID health insurance rate review process including all related and applicable information technology, data management, regulatory & management reporting requirements, and statewide outreach.

Phase II will require a clear analysis of the information derived from Phase I and a subsequent submission to AID of detailed findings, recommendations, and a focused plan of implementation. The Phase II final submitted recommendations must be specific, innovative, and compatible with state and federal regulations. These recommendations should demonstrate superior strategies that will directly impact the success of AID in all aspects of health insurance rate review.

Additionally, AID seeks to qualitatively automate future health insurance rate review processes and increase rate review capabilities to the extent possible. AID will require a significant improvement in the current reporting and data collection methodology, including an effective data system which will house rates, related increases filed for use, and leveraging & optimal utilization of the new capabilities of 'THE SYSTEM FOR ELECTRONIC RATE AND FORM FILING' (SERFF) to allow accurate and timely analysis and multi-query reporting to all applicable parties. This optimal data system will provide the best possible platform, structure, and/or mechanism for the internal or external actuaries to perform timely and cost effective health insurance rate review analysis in the future.

AID will endeavor to create maximum transparency to the public in the health insurance rate review process. This will include, but not be limited to, AID website, outreach, public relations, education, and public hearings on relevant requests for rate increases.

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Respondents submitting proposals must demonstrate an understanding of the nature of this project and the outcomes expected to be produced. The proposal must demonstrate actuarial and related information technology experience as well as the ability to gather quantitative and qualitative data as it relates to the Rate Review process. Proven ability to work with the public, advocacy groups, advisory groups, and providers will be helpful.

#### **PHASE I**

In Phase I, the successful Respondent will conduct a comprehensive assessment of all components of the current AID health insurance rate review process (see attached exhibits). Phase I will also require the identification of all changes in the current AID rate review process, including AID regulatory reporting, needed to fully comply with the mandates of HHS/PPACA.

This assessment will include, but not be limited to, AID personnel, AID resources, legislation and regulations, internal and external actuarial functions and procedures, scope of use of external actuarial services, operating standards and guidelines, the AID web site, information technology, database management, core reporting capabilities, historic rate review performance, filing and processing of public contacts and requests.

Additionally the level of consumer service, current and future use of SERFF capacities, management reporting, training of internal rate review personnel, outreach, and process transparency will be studied and assessed. Additional topics to be considered are:

1. Determination of potential intersections of HHS/OCIO Rate Review, Exchange, and Consumer Assistance Grants in the State of Arkansas (AID is the grantee of all three) and the most synergistic approach for mutual assistance and cooperation as well as avoidance of duplication of efforts.
2. Improvement of the current reporting and data collection systems, construction of an innovative data system which will house rates, related increases filed for use, and optimal utilization of the expanded functions of SERFF to allow accurate and timely analysis and reporting. This optimal data system will provide the best possible platform, structure and/or mechanism for the internal or external actuaries to perform timely and cost effective rate analysis.
  - Optimal automation, to the extent possible, and streamlining of the AID rate review process
  - Tracking required PPACA data, rate filing information, national & state trends, and patterns
  - Benchmarking capability and utilization of national, regional, and contiguous state trends
  - Improve data measurement and analytic capacity to generate meaningful AID 'rate review' management reports and upgrading technology and database management if required.
3. AID Standards for Approval
  - Conventional actuarial standards
  - Modified standards
  - Filing Requirements, Transparency and Full Discovery:
  - Review Method:
    - Hearings
    - Desk reviews
4. Optimizing consumer participation and public dissemination of information using web-based & interactive video technology, outreach, and public meetings and hearings.
5. Effective utilization of available HHS waiver processes.

### **AID Internal Actuarial Objectives**

- Examine the appropriateness of data currently utilized by carriers in their rate request submissions and develop guidelines for validation.
- Study the market segment standards currently used in determining reasonableness of premium levels and increases, and identify additional information needed.
- Study significant assumptions currently being made in deriving the required premium rate, particularly in the event of small or immaterial blocks of business or the entrance into a new line of business.
- Identify reputable sources for trend assumptions and determine if there are other publicly available information sources to ascertain the reasonableness of the request.
- Search trend justifications from the carriers including intrinsic trend and renewing provider contracts.
- Consider potential external measures (surveys, claims data, etc) that are applied by the carriers in order to evaluate the assumptions used in the development of the premium rates.
- If any form of outcome based payment approaches are used by the carriers, study valuation of network payment levels and provider outcome measures.
- Determine the potential impact that carrier violations of the minimum MLR (effective beginning 1.1.2011) will have on the future AID rate review process and/or the actuarial calculations.

### **PHASE II**

Using the information gained from the Phase I assessments and the analyses thereof, Phase II will create and establish innovative and effective strategies and specific recommendations which will vastly improve the AID rate review process and meet the adopted goals and objectives.

## EXHIBIT FOUR

### Summaries of AID Premium Rate Review “Request for Proposals” (2)

1. Professional Services (RFP ID-11-1001)	\$199,600	5/24/11	“kick-off”
2. Media Center (RFP TBD)	\$139,000	3/15/11	To be issued

#### **1. Professional Services RFP.**

On December 3, 2010, the Arkansas Insurance Department (AID) issued an official ‘request for proposal’ (RFP) for Premium Rate Review (PRR) Grant Professional Services. There were qualified proposals from seven national firms submitted. On February 14, 2011, the RFP was awarded to AON Hewitt in the amount of \$196,400. AON Hewitt will begin their contract work with an onsite organizational visit on February 24, 2011. All work is expected to be completed on or before May 24, 2011.

The purpose of this RFP is to enable the Arkansas Insurance Department to select a highly qualified vendor who will assess, research, develop, and recommend a comprehensive plan for the complete upgrade of the existing AID system of health insurance rate review as well as all related and applicable technology. (*See Exhibit One for fuller description*)

Phase I of the RFP will require a comprehensive assessment of all current components of the AID health insurance rate review process including all related and applicable information technology, data management, regulatory & management reporting requirements, and statewide outreach.

Phase II will require a clear analysis of the information derived from Phase I and a subsequent submission to AID of detailed findings, recommendations, and a focused plan of implementation. The Phase II final submitted recommendations must be specific, innovative, and compatible with state and federal regulations. These recommendations should demonstrate superior strategies that will directly impact the success of AID in all aspects of health insurance rate review.

AON Hewitt is a highly reputable international firm with more than 29,000 employees. AON Hewitt has more than seventy employees working in AON Hewitt offices in downtown Little Rock, located within four blocks of the Arkansas Insurance Department building. In addition, Aon Hewitt has approximately 300 credentialed actuaries in the firm, with over 90 dedicated to the Health and Benefits practice.

Aon Hewitt has the expertise to help AID develop a process to ensure that rate filings submitted are appropriately reviewed and validated. The Aon Hewitt team will have the ability to compare and contrast Arkansas’ implementation of health care reform regulations in benchmarking with other states."

#### **2. Media Center RFP**

On or before March 1, 2011, the Arkansas Insurance Department (AID) will issue an official ‘request for proposal’ (RFP) for the Premium Rate Review (PRR) Media Center. The approximate cost will be \$139,000 and will be completed on or before May 15, 2011.

The media center will transform a 1400 square foot “hearing room” space on the first floor of the AID office building into a modern Health Insurance Rate Review Media Center for public and professional training, education, and information dissemination activities including public hearings and media presentations. The AID Insurance Rate Review Media Center will serve as the “nerve center” for education and outreach efforts. Training methodologies will include classes, seminars, and interactive webinars or interactive video conferences augmented by power point presentations, course syllabi, video clips, and manuals.

The purpose of the Media Center RFP is to facilitate and implement a robust and coordinated Rate Review Education, Outreach, and Training program that effectively provides user friendly and timely access to rates, rate filing processes, requests, outcomes, complaints, and other related information to constituencies both internal and external to AID. (*See Exhibit Two for fuller description*)

The PRR Media Center will create and implement diverse communication products and methods for specific constituencies that include: expanding AID web site to detail health insurance rates, rate filings, complaints, and pertinent processes in a manner that is understandable to the public; media/press releases; policy briefings; accessible 1-800 consumer inquiry, complaint, or fraud report telephone service; advertisements in statewide newspapers/magazines; webinars; accessible public meetings, hearings and seminars held at AID and locations across the state; newsletters; specific stakeholder and institutional presentations; and/or other communication strategies advocated by the PRR Advisory Council.

The Media Center will provide technical training for constituencies including, but not limited to, members of the Advisory Council, AID employees, consumers, insurers, staff members of sister agencies, legislators and legislative research staff, and all other stakeholders on processes for rate review. *This would include hosting Train the Trainers seminars where AID would access and host meaningful instruction and classes in “rate filings and rate review” for internal and external constituencies as offered by NAIC or any credible educational institutions having this expertise.*

Educate and update broad constituencies about general processes of rate review and specifics of ongoing rate trends in Arkansas and the Nation by benefit category, claims paid, price inflation, risk, complaints, and other dynamic factors. *This education and outreach is expected to have broad impact in effecting transparency and needed changes. For example, AID legislative education would advance appropriate AID rate review authority, and education of specific disability rights groups would promote their increased engagement in meaningful rate review approval processes.*

## EXHIBIT FIVE

### SERFF

September 20, 2010

**TO:** Premium Review Grant Contact

**FROM:** Julienne L. Fritz, Director of Insurance Products and Services  
Joy Morrison, Sr. Manager II - SERFF

**RE:** Department of Health and Human Services (HHS) Grants to States for Health Insurance Premium Review-Cycle I

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This memo is intended to serve as follow up to previous communication regarding the Premium Review grant opportunity and the ability to leverage SERFF. Based on feedback received by NAIC staff, 46 states submitted an application for the above referenced grant funds and of those, 45 included funding for SERFF and/or IT needs. As a result, the NAIC is able to reaffirm the commitment to assisting states with the data collection and reporting requirements included in the Cycle I grant.

Currently, HHS, state regulators and NAIC staff are engaged in work designed to finalize reporting specifications for Tables A-D and the Data Dictionary that were disclosed in the grant award notifications. It is anticipated that specifications for Tables A-D will be completed on or before the end of September. Detailed specifications for the data dictionary will follow with the goal of completing in October.

The deliverables for this effort are defined as follows, and remain the same as originally stated, with the exception of item 4 below. Originally, item 4 was listed as a deliverable 'if required and permitted.' Since our list communication, it has been determined that SERFF can be used for the purpose of making filings subject to the new federal law available on the web via the state's website, *where allowed by state law and requested by the state.*

#### **Grant Application Information:**

Cost: \$18,808

#### *Description of Deliverables:*

- 1) Requirements defined in Section A.1(c)(1) and A.1(c)(2) on pages 15, 16 and 17. Specifically, the estimate covers the expenses associated with modifying SERFF to address data collection and reporting requirements, such as:
  - a. State options to indicate premium review grant participation
  - b. Company profile changes to incorporate company type
  - c. State-maintained indicator for rate filing requests meeting the HHS threshold for 'unreasonable'.
  - d. Addition of field to indicate product types
  - e. Company-maintained product information including product name, HHS id, and product status that will allow the companies to track products and apply them to filings.
  - f. A new set of fields added to the Rate/Rule schedule items to provide HIPR data on a policy form basis.
  - g. Changes to the State API to accommodate retrieval of the data elements added above and to allow for updates of appropriate data elements via the State API.
- 2) Incorporating the submission of a federally mandated Rate Filing Disclosure Form and Justification (currently being reviewed by the B Committee) that is required to be filed under provisions of the Affordable Care Act if a rate request falls under the definition of 'unreasonable'. The estimate provided by the NAIC would also allow the Rate Filing Disclosure Form, or similar document, to be filed regardless of whether the rate request falls under the definition of 'unreasonable' in the event the states wanted to include this in their submission requirements to facilitate meeting the requirement that consumer friendly descriptions of rate filings be made available publicly.

- 3) Additional SERFF state training that will support the grant requirements.
- 4) Support for making non-confidential consumer friendly rate disclosures and/or rate filing information available publicly.
- 5) Support the ability to satisfy reporting requirements of the uniform template for data reporting within the SERFF system, if HHS will accept reports directly from SERFF, including basic trending reports.

The workflow on a Health filing that requires the enhanced data reporting fields will vary from the existing SERFF workflow. States will set preferences that will indicate the level of data they would like to require. Fields exposed to the industry during the filing creation process are determined by these state preferences. The overall workflow will be changed in that the filer will now be required to tie schedule items (such as rates and policy forms) to a specific product. This will allow for the reporting of data based on the product the consumer will ultimately be offered. A significant portion of the project hours will be devoted to aggregating the collected data into the reports required by HHS. An interface to allow HHS to get reports from SERFF is included within the estimate should that prove a requirement.

*Delivery Timeline:*

The SERFF enhancements incorporating HHS reporting requirements will be implemented in a phased approach with the first release to occur within three months of the receipt of HHS requirements for the uniform template for reporting. The initial release will focus on implementing the means for data collection; subsequent releases will incorporate reporting needs. Releasing functionality in this manner will allow a period of time during which data can then be submitted by insurers prior to any required reporting to HHS, thus avoiding manual data collection processes. Based on the requirements known at this time, the development will occur over an eight month period beginning when the NAIC receives the reporting template and supporting documentation.

***Addendum***

*To expand and enhance System for Electronic Rate and Form Filing (SERFF) tracking for PPACA rate data to effectively collect, analyze, and report health insurance rate filings and outcomes to diverse stakeholders including the general public, health care insurers, health care providers, and policymakers including state legislators and the Department of Health and Human Services (HHS) Secretary.*

On Thursday, January 27, 2011, SERFF 5.11 was released to production. The release include an additional set of data fields to support the Health Insurance Premium Review (HIPR) grant program and a reporting review and submission tool to allow the first set of HIPR data to be generated and sent to HHS. These changes to SERFF are expected to help states meet the reporting requirements of the Health Insurance Premium Review Grants for Cycle 1. The release date for SERFF 5.11.1 is emanate. With this release there will be updates to the process to include the Rate Review Detail Data (R2D2) field. In addition, there will be added support for R2D2 fields in Public Access.

## **SERFF/Use of Information Technology**

### **Current Use of Information Technology**

The Arkansas Insurance Department currently uses the State Electronic Rate and Form Filing system (SERFF) for approximately 99% of its life and health insurance rate filings. SERFF is a national insurance regulatory system used by states whose insurance commissioners or directors are members of the National Association of Insurance Commissioners (NAIC). SERFF and its data are hosted in Kansas City, MO. Insurance companies that choose the use of SERFF submit filings electronically. The Insurance Department reviews and processes Arkansas SERFF filings remotely via a web browser interface. SERFF filings and data can be downloaded to the Insurance Department electronically for online use or printing.

Approximately 1% of Arkansas life and health insurance rate and form filings were previously received as paper filings. These are reviewed in hard-copy format. Beginning March 1<sup>st</sup>, 2011, SERFF will be mandatory for rate and form filings.

SERFF and hard-copy filings are tracked through a single rate and form filing log application developed by the Insurance Department. SERFF filing log entries are downloaded and added to the log electronically. Paper filing log entries are keyed into the log.

Regardless of the manner in which received, publicly-releasable filing information is made available on the Insurance Department web site.

### **Concept for Use of Information Technology as a Result of Cycle I**

During the Cycle I grant effort the Arkansas Insurance Department will augment existing SERFF, rate and form filing log, and web publication capabilities with additional applications, data manipulation capabilities, data reporting capabilities, data tables, and programmatic and communications interfaces necessary to capture and report additional data necessary to satisfy the requirements of the grant announcement. Specifically a database will be developed and hosted on a Department server using existing virtual machine technology and the existing SQL Server database management system. The database will include data downloaded from SERFF along with data entered by insurance companies through the Department web site. Conceptually the data downloaded from SERFF will be read-only on the Department web site so that no disparity will develop between information residing both in SERFF and in the Department's rate review database. Such data will be updateable through SERFF. Fields that exist only in the rate review database will be updateable through the Department web site. For companies that normally file through hard-copy rather than SERFF, all data will be updateable on the Department web site.

The rate review database will enable grant-required reporting not currently supportable through SERFF. Because it will contain both SERFF and hard-copy filings, it will provide comprehensive rate review reporting.

Development of the rate review database and other components necessary to support Cycle I functionality will be performed by existing programming and systems staff of the Arkansas Insurance Department.

# EXHIBIT SIX

## OUTREACH

### The DHHS initial announcement of CFDA: 93.511 states on page 13 & 14:

#### Consumer protections:

- Are rate filings publicly disclosed? If so, what is the mechanism for public access to rates and rate filings? Describe the State laws and regulations that govern disclosure and public access and disclosure to rate filings and public access to the Insurance Department in general.
- Are summaries of rate changes offered in plain language for consumers? Please provide an example.
- How much advanced notice is given to consumers prior to proposed rate changes? Are consumers provided with official comment periods to review and comment on proposed rate changes?
- What processes exist for public meetings and/or hearings on rate filings?
- Provide the number and summarize the nature of consumer inquiries and complaints related to health insurance rates that have been received for the past two plan years.

To accomplish these consumer protection objectives, our agency and rate review leadership met for many hours to analyze and plan for optimal implementation strategies. Our greatest identified weakness was that the Arkansas Insurance Department (AID) has little existing infrastructure for meeting consumer communication and education needs to enable the public to better participate in a transparent and consumer-friendly rate review process. Not only do we lack a current process for educating consumers and other stakeholders, we also lack processes for receiving consumer input. Under the leadership of Jay Bradford, this will change.

To address existing barriers to genuine consumer participation and protection, the AID leadership and planning group determined that a robust and effective outreach and education program is needed. The Arkansas Insurance Department Outreach and Training Unit will fully comply with the intent and guidelines of this grant by designing and implementing transparent, timely, and user friendly access to rates and rate filing requests, as well as all related information. Processes will include print and electronic media notifications, as well as public hearings and other methods of targeted information exchange between pertinent stakeholders and AID rate review staff. Outreach recipients will include the Rate Review Advisory Council, enrollees, policyholders, media, state agencies, legislators, health care policy makers, University of Arkansas for Medical Sciences (UAMS), and interested education institutions, and other stakeholders. The components of this outreach program will include:

- Communications
- Training
- Education

#### Communications

Although there will be some overlap with Training and Education, “Communications” would include, but not be limited to:

- a) Media/Press Releases
- b) AID website detailing rates, rate filings, and the process
- c) 1-800 consumer inquiry service
- d) Formation and support of a “Rate Review Advisory Council”
- e) Public meetings and hearings
  - Held in the AID “Rate Review Nerve Center” at AID building and/or transmitted via the state’s rural health interactive video system to sites across Arkansas.
  - Organizationally or community-sponsored forums throughout the state
- f) Policy briefings
- g) Newsletters
- h) Seminars
- i) Stakeholder and institutional presentations
- j) Webinars

## Training/Education

The recipients of training or educational opportunities will include, but not be limited to, AID employees, insurers, enrollees, members of the Rate Review Advisory Council, staff members of sister agencies, legislative research staff, stakeholders, and other health related organizations. Most training will be conducted on-site at AID in a classroom transformed to become the AID Rate Review Center\* This Center will serve as the “hub” of information exchange – whether via training conducted on-site or broadcast across the state—or on-site or interactive video public hearings. This Center is located in the geographic, population, health care, financial and political center of Arkansas. Training methodologies will include:

- Classes using interactive video and/or Power Point presentations;.
- On-line training
- Webinars
- Manuals

*\* The Rate Review Media Center does not currently exist. Using grant funds, an accessible classroom on the first floor of the AID will be equipped with modern technology supports to achieve this purpose. The classroom is currently without any equipment.*

## Summary

Please note items #3 & 4 in the third paragraph of our one page RR grant application abstract “**Arkansas Project Abstract**” that was submitted as part of the application, in which we state: “The proposed funding of one million dollars will be used to: 1) enhance staff and technical expertise/efficiency for rate reviews through actuarial/information technology consultation and process improvements; 2) increase AID rate review staff by five positions; **3)** create and staff an active consumer-driven Advisory Council to assist with implementing meaningful methods to improve consumer knowledge and involvement in rate approval processes; and **4)** equip a modern, state-of-the-art Rate Review Center at AID that will serve as the “nerve center” for health insurance rate review information exchange with the general public and professional health industry groups.

Finally in the third paragraph of Governor Beebe’s July 1st letter to Secretary Sebelius, he states that “*I am especially pleased with the plan to create an outreach, education, and training unit with the Arkansas Insurance Department. This outreach unit and Rate Review Center will be critical to effective information exchange as we work with multiple stakeholders.*”

## Minutes of First RR Focus Group Meeting 3.3.11

The Arkansas Insurance Department (“AID”) held a focus group meeting on February 3, 2011 from 4 pm to 5 pm. The meeting was held in the Hearing Room at the Arkansas Insurance Department, 1200 West Third St. Little Rock, AR 72202. The group consisted of department heads from the AID Consumer Services Division and Senior Health Insurance Information Program (SHIIP) along with investigators from the Consumer Services Division. Representatives from various state agencies also attended including: Arkansas Department of Health, Arkansas Department of Human Services, Arkansas Hospital Association, Arkansas Advocates for Children and Families, and Arkansas Bureau of Legislative Research.

The topic of the meeting was the Rate Review Grant Program developed by AID under a grant from the U.S. Department of Health and Human Services (HHS). The grant funding is part of the federal implementation of the Affordable Care Act.

Sandra McGrew, AID Public Information Officer, and Dr. Lowell Nicholas, AID Rate Review Grant Manager made presentations on behalf of AID and answered questions from the group. The purpose of the meeting was to collect ideas and suggestions regarding an outreach strategy for statewide informational and stakeholder engagement campaign on health insurance rate review in Arkansas. Rosalind Minor, Bob Alexander, AID Attorney also answered questions.

This was an informational and brainstorming session in which AID presented the topics listed below and asked attendees for input on ways to help consumers understand health insurance, the rate review process, and make it more transparent.

1. A brief overview of AID functions and responsibilities.
2. A brief overview of Rate Review.
3. A brief overview of the Rate Review Grant goals (enhancing state rate review through transparency, compliance and technology).
4. Presentation of outreach outline (explanation of target audience, health insurance definitions, explanation of ways to reach consumers: enhancement of website, statewide stakeholder engagement meetings, media campaign, develop rate review primer, develop print material with health insurance definitions)

After the presentation, attendees recommended the items listed below to increase transparency and bolster a robust outreach effort regarding premium rate review for consumers.

1. Targeting specific consumer groups.
2. Identifying mechanisms, partnering with community, civic, and business groups to reach consumers.
3. Help consumers understand what they’re paying for, develop a health insurance primer.
4. Develop informational materials to post in municipal, county, and state offices.
5. Explanation of how rates translate into premiums for individual consumers.
6. Information on premium comparisons in state and around country.
7. Explanation of current law and how it allows companies to raise rates.
8. Developing a tailored message to each specific consumer group
9. Develop a Health Insurance 101 presentation which includes information about the rate review process.
10. Contacting legislators, mayors, county judges, chambers, special interest groups and rural development groups to make them aware of rate review changes and implementation.
11. Provide history of companies rate increases on website.
12. Partnering up with various stakeholder state agencies to reach consumers.

AID closed the meeting by encouraging attendees to contact AID either by telephone or email at [Sandra.mcgreg@arkansas.gov](mailto:Sandra.mcgreg@arkansas.gov) with any further suggestions or comments.

## EXHIBIT SEVEN

### DETAILED BUDGET

**Summary of funds expended to date or contractually obligated:**

Rent	\$ 34,636
Salaries	\$241,969
RFP ID-11-1001	\$199,600
SERFF	\$ 18,808
Furniture & Equip	\$ 23,039
Telecommunications	\$ 6,000
RFP Media Center	\$130,216
Supplies	\$ 2,850
	=====
Total to Date	\$ 657,118

Media Center and Equipment Descriptions	Quantity	Unit Cost	Total
110 Inch Diagonal Electric Projection Screen	1	\$ 2,763.00	\$ 2,763.00
Wireless Lavalier Microphone System	1	\$ 1,242.19	\$ 1,242.19
Lectern Microphone	1	\$ 372.54	\$ 372.54
Computer/Video Projector	1	\$ 9,555.97	\$ 9,555.97
AV Control System	1	\$ 11,756.95	\$ 11,756.95
DVD/VCR Combo Player	1	\$ 611.01	\$ 611.01
Lectern: 39-inch wide Presentation Lectern	1	\$ 6,248.23	\$ 6,248.23
Video Projector Switcher/Scaler	1	\$ 2,200.29	\$ 2,200.29
Audio System Videoconference & Teleconference	1	\$ 8,147.32	\$ 8,147.32
Rack Mounting and Power Distribution	1	\$ 2,479.27	\$ 2,479.27
Document Camera: SXGA/720P HD	1	\$ 3,843.82	\$ 3,843.82
System Connection Plate	1	\$ 920.36	\$ 920.36
Videoconference CODEC	1	\$ 29,889.64	\$ 29,889.64
52 inch LCD Display Monitor	1	\$ 3,432.09	\$ 3,432.09
Camera System	1	\$ 8,221.00	\$ 8,221.00
Media Center System Installation	1	\$ 26,715.00	\$ 26,715.00
Media Center Implementation Technical Plan/Training	1	\$ 4,935.00	\$ 4,935.00
Dell Laptop	5	\$ 1,588.00	\$ 7,940.00
LaserJet Printer	5	\$ 388.00	\$ 1,940.00
ATT Speakerphone	5	\$ 249.00	\$ 1,245.00
			\$ 6,000.00
Telecommunications Expenses (desk, cells, blackberries)	1	\$ 6,000.00	
Copier Expenses (Pro-rated)	5	\$ 200.00	\$ 1,000.00
Special Needs Equipment	1	\$ 2,000.00	\$ 2,000.00
SQL Server DBMS (for Rate Review Database)	1	\$ 15,050.00	\$ 15,050.00
Alpha Five Application Server Licenses	1	\$ 930.00	\$ 930.00
Traveling Exhibit Board	1	\$ 2,000.00	\$ 2,000.00
Sales Tax			\$ 12,108.00
<b>Total</b>			<b>\$ 173,546.68</b>

### DETAILED BUDGET (CONTINUED)

Description	Quantity	Unit Cost	Total
Conference Table	1	\$ 2,850.00	\$ 2,850.00
Conference Chairs	8	\$ 300.00	\$ 2,400.00
Stacking Chairs	80	\$ 60.00	\$ 4,800.00
	30	\$ 187.00	\$ 5,610.00
Folding Tables			
Refrigerator	1	\$ 886.00	\$ 886.00
Microwave	1	\$ 144.00	\$ 144.00
Coffee Makers	2	\$ 94.00	\$ 188.00
Cook Top	1	\$ 149.00	\$ 149.00
Sink, faucet and cabinets	1	\$ 889.00	\$ 889.00
Garbage Disposal	1	\$ 198.00	\$ 198.00
Installation/Delivery for Refreshment Center	1	\$ 518.00	\$ 518.00
4 Drawer File Cabinet	5	\$ 198.00	\$ 990.00
Bookcase	5	\$ 121.00	\$ 605.00
High Back Desk Chair	5	\$ 320.00	\$ 1,600.00
Desk	5	\$ 609.00	\$ 3,045.00
Connector	5	\$ 358.00	\$ 1,790.00
48" Return	5	\$ 256.00	\$ 1,280.00
Side Chairs (2 per employee)	10	\$ 96.00	\$ 960.00
Sales Tax			\$ 1,414.00
<b>Total</b>			<b>\$ 20,266.00</b>

## Original RR Grant Application Budget

PERSONNEL					
Position	Annual Salary	FFY'10 Request	FFY'11 Request	Total Grant Request	Comments
Deputy Commissioner Rate Review Manager	85,536	7,128	85,536	92,664	TBH - 9/2010 - Doctoral Degree with high level management, health care industry, and government experience. Will direct day-to-day operations/reporting.
Rate Review Compliance Attorney	73,116	0	73,116	73,116	TBH - 10/2010 - Attorney with pertinent experience will lead and monitor legal and legislative health insurance rate review issues.
Rate Review Compliance Officer	73,116	0	73,116	73,116	TBH - 10/2010 - Experience with health insurance rate reviews and working with actuaries. Will perform technical rate reviews and provide process consultation.
Rate Review Public Information/Outreach Mgr	45,377	0	45,377	45,377	TBH - 10/2010 - Expert communications and systems knowledge and skills, with health industry, education, and consumer advocacy experience.
Rate Review System Analyst	45,377	0	45,377	45,377	TBH - 10/2010 - Experience with health care information technology and supports within complex systems; ability to communicate with non-IT experts.
<b>Salary Subtotal</b>		<b>7,128</b>	<b>322,522</b>	<b>329,650</b>	
<b>FRINGE Subtotal</b>		<b>1,831</b>	<b>88,624</b>	<b>90,455</b>	20.223% + \$4,680/position for insurance
<b>PROFESSIONAL SERVICES (Sub-award) COSTS</b>					
Actuarial/IT Consultant		25,000		25,000	Phase I - to assess AID skills and processes and make recommendations for rate review improvements
Actuarial/Rate Review/IT Consultant(s)			140,000	140,000	Phase II - Design and assist with implementation of rate review technological and expertise process improvements. May be separate or consolidated contract
Actuary-Rate Filing Review			40,000	40,000	\$10,000 per month, June - September 2011 ( <b>See Attachment for more detail</b> )
SERFF IT Enhancement		18,808		18,808	Data base/reporting enhancements as proposed by NAIC ( <b>see attachment</b> )
Data Center			50,000	50,000	Analyses and reporting needs TBD
UAMS Partners for Inclusive Communities			3,000	3,000	Consumer focus groups for disability/LTC populations; materials review for readability-- will include travel across Arkansas.
<b>Contractual Subtotal</b>		<b>43,808</b>	<b>233,000</b>	<b>276,808</b>	
<b>EQUIPMENT</b>					
Rate Review Training Center Capital Equipment*		79,355		79,355	Computer/Video Projector (\$9,556); AV Control System (\$11,757); Presentation Lectern (\$6,248); Audio System Video Conf/Teleconference (\$8,147); Video Conference CODEC; HD (\$29, 890); Camera System (\$8221); Tax \$5,536
<b>Equipment Subtotal</b>		<b>79,355</b>		<b>79,355</b>	<b>*See Attachment X</b>
<b>SUPPLIES</b>					
Office Supplies		1,200	2,990	4,190	Paper, postage, pens, cartridges, etc. No indirect costs charged.
Lunches for Adv. Council			720	720	estimated 15 people X \$12 X 4 meetings/year
<b>Supplies Subtotal</b>		<b>1,200</b>	<b>3,710</b>	<b>4,910</b>	<b>* No Indirect Costs Charged</b>
<b>TRAVEL</b>					
Registration Fees			1,200	1,200	Arkansas Meeting Exhibits
Intrastate Mileage			6,695	6,695	1328 mi/month X 0.42/mile
Intrastate Per Diem			3,840	3,840	\$160 X 24 trips(1 overnight; 2 days' meals)

National Meetings			2,400	2,400	\$200 reg. + \$400 airfare + \$385 hotel (2 nights) + \$165 meals (3 days) + \$50 ground transportation.
<b>Travel Subtotal</b>			<b>14,135</b>	<b>14,135</b>	
<b>OTHER</b>					
Rent		1,517	57,200	58,717	1400 sf @ \$13/sf X 1 mo. for Rate Review Center (RRC) in year 1; 4400 sf @ \$13/sf (3000 sf office/mtg space; 1400 sf RRC) -Yr 2; no indirect costs charged.
New Staff Position Office Furnishings		4,597	18,442	23,039	Dell Laptop (\$1588); LaserJet Printer (\$388); ATT Speakerphone (\$249), 4 Dr. File Cabinet (\$198); Bookcase (\$121); High Back Desk Chair (\$320); Desk (\$609); Connector (\$358), 48"return (\$256); 2 Side Chairs @ \$96 ea (\$192); tax (\$1644) - X 5 employees
SQL Server DBMS		15,050		15,050	For Rate Review Data base; Includes licenses
Alpha Five Application Server Licenses		930		930	To support IT expansion
Rate Review Training Center Furniture*		19,922		19,922	Conf. Table (\$2850); 8 Conf. Chairs @ \$300 each (\$2,400); 80 Stacking Chairs @ \$60 each (\$4,800); 30 Folding Tables @ \$187 ea. (\$5610); Refreshment Center (Refrig. @ \$886; Microwavie @ \$144; 2 Coffee makers @ \$188; Cook top @ \$149; Sink, faucet, and cabinets @ \$889; garbage disposal @ \$198; and installation @ \$518); tax (\$1,290)
Rate Review Training Center Non-Capital Equipment*		19,211		19,211	Electric Projection Screen (\$2,763); Wireless Lavalier Microphone System (\$1,242); Lectern Microphone (\$373); DVD/VCR Combo Player (\$611); Video Projector Switcher/Scaler (\$2,200); Rack Mounting and Power Distribution (\$2479); Document Camera (\$3,844); System Connection Plate (\$920); LCD Monitors/Mount (\$3,439); tax (\$1340)
Implementation Technical Plan/Training*		4,935		4,935	Rate Review Training and Outreach Center
System Installation*		26,715		26,715	Rate Review Training & Outreach Center equipment installation, AC power and conduit pathways, installation and wiring of projection screen, LAN circuits, proper lighting (incl. design assist.)
Traveling Exhibit Board			2,000	2,000	For information dissemination at meetings/conferences, etc.
Printing			15,000	15,000	Brochures, manuals, informational pieces
Telecommunications			6,000	6,000	Telephone expenses (desk, cells, blackberries)
Copier Expenses			1,000	1,000	Pro-rated for 5 positions
Accommodations for Consumer Special Needs.			2,000	2,000	Translators, special equipment, etc.for hearings, educational sessions
Advertisements			10,168	10,168	For hearings, community meetings, AID web, etc
<b>Other Subtotal</b>		<b>92,877</b>	<b>111,810</b>	<b>204,687</b>	
<b>GRAND TOTAL</b>		<b>226,199</b>	<b>773,801</b>	<b>1,000,000</b>	
* See Attachment Rate Review Center Equipment detail in XYZ					
AID Agrees to Maintain Current Rate Review MOE @ \$14,500 annually.					