



**Office of the Director
Arizona Department of Insurance**

2910 North 44th Street, Suite 210, Phoenix, Arizona 85018-7269
Phone: (602) 364-3100 | Web: <https://insurance.az.gov>

Douglas A. Ducey, Governor
Leslie R. Hess, Interim Director

Director's Message Regarding Health Insurance Premiums for 2017

As has been reported on our website and on healthcare.gov, Arizona's rates for Obamacare-compliant health insurance for plan year 2017 are increasing significantly. First, I want to say that I am sorry that your rates have increased so substantially. While the Department's role in rate review is limited, I want to acknowledge your frustration with the rising health insurance costs. It is a difficult time for the Arizona health insurance market and the 2017 plan year will be extremely challenging.

As you are likely aware from the extensive media coverage, almost all of the insurers participating on the Arizona healthcare exchange, commonly known as the Obamacare marketplace, withdrew from the exchange or discontinued their exchange plans for next year. Neither the state nor the federal government have the authority to compel a company to sell insurance on the exchange. As explained to the Department, the withdrawals were due to insurance companies suffering large financial losses from their participation on the exchange. As a result, Arizona was left with only one insurance company per county that will be issuing policies that are eligible for premium subsidies on the exchange in 2017. This means that one insurer will be absorbing all of the major medical insurance risk on exchange in each county. Unfortunately for us, this substantial assumption of risk led to the filing of significant premium rate increases to cover that financial risk.

When a rate increase is filed with the Department of Insurance, the ADOI does not have legal authority to approve or disapprove the major medical insurance rate. The Department's responsibility is to review the rate filing to confirm that valid, detailed financial and actuarial information (as required by federal and state law) is provided in support of the rate increase. In order to perform that review, the ADOI engages independent actuaries to scrutinize the rate filings in depth to confirm compliance with the laws and regulations.

Despite the magnitude of the premium increases, the independent actuaries' detailed reviews found that the insurers had provided the required financial and actuarial information in support of the rate increases. The ADOI carefully supervised and reviewed the actuarial work performed, and determined that the premium rate increases were in compliance with Arizona law. Therefore, the ADOI "filed" the rates for use in Arizona.

Insurers are required to provide a written description justifying the rate increase (an actuarial memorandum) and a simple and brief narrative describing the data and assumptions that the insurer used to develop its rate increase (a consumer justification). This information is available for your viewing at <https://ratereview.healthcare.gov/>

Lastly, while many individuals who purchase their coverage on the exchange receive subsidies that will cover most or all of the premium increase, roughly a quarter of those enrolled in Marketplace plans are ineligible for subsidies and will be faced with the difficult choice of paying a dramatically higher price or going without insurance and facing a stiff penalty from the federal government. The Governor's Office has expressed its concerns to Congress about this situation

http://www.mccain.senate.gov/public/_cache/files/556409f1-2002-4ec5-9301-54c8438df9e5/corieri-testimony-senate-homeland-security-9-15-16.pdf

and encourages you to contact your federal representatives as well with your concerns (<https://www.usa.gov/elected-officials>).