

# Managed Care Regulation in FL

House Health Care Regulation Committee

February 9, 2005

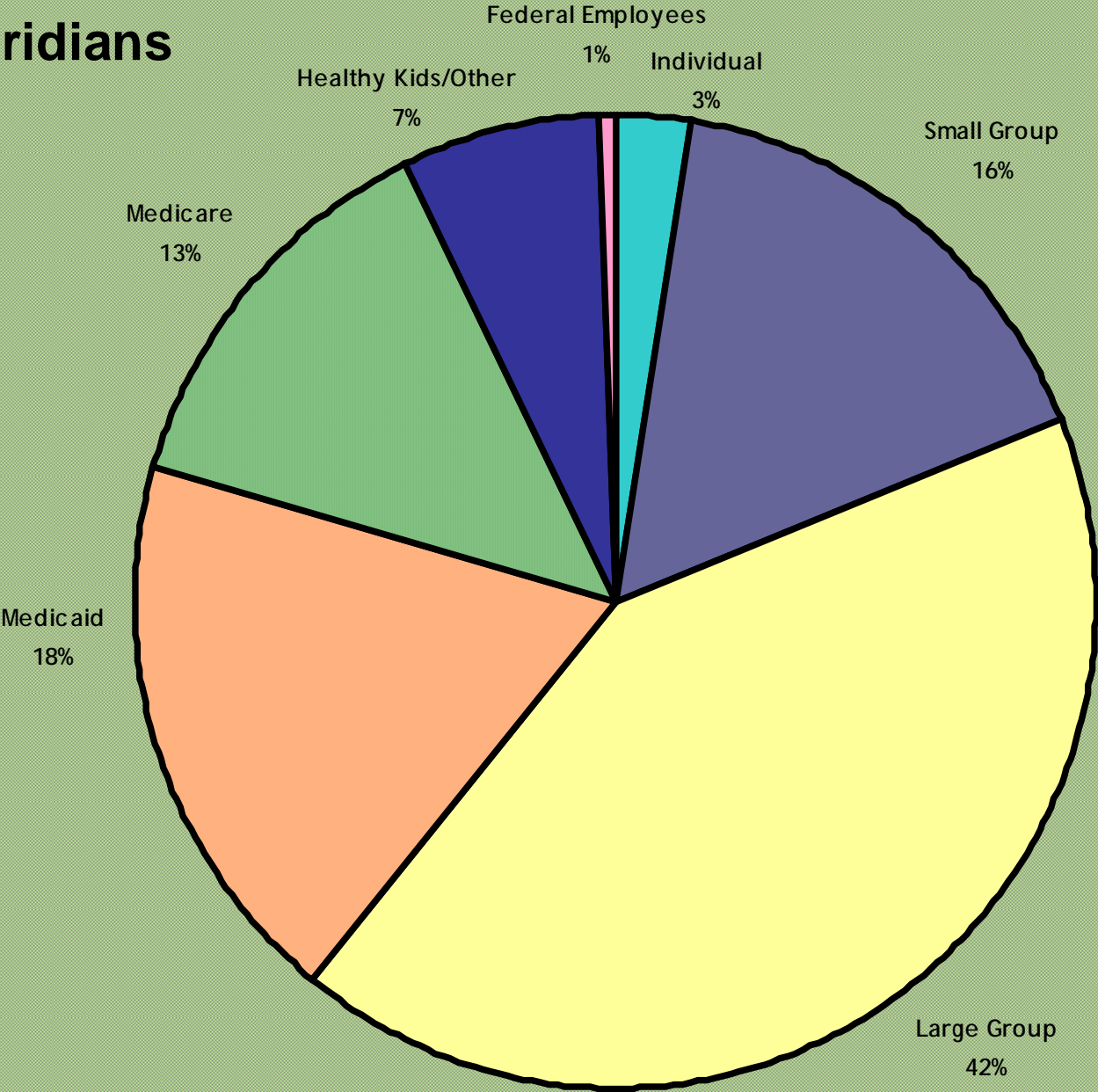
Rich Robleto, Deputy Commissioner

Florida Office of Insurance Regulation



**Office of  
Insurance  
Regulation**

# 26 Active HMO Carriers 4.1 Million Floridians



SOURCE: Data compiled by Florida Office of Insurance Regulation from quarterly solvency reports 09/30/2004

# Financial Solvency Standards

- Minimum surplus that is the greater of:
  - \$1.5 million
  - 10% of total liabilities
  - 2% of total annualized premiums
- Annual and quarterly financial statements
- Annual CPA report
- Actuarial review of reserves

# Other Solvency Standards

- Most products have required Forms and Rate review
- Affiliate transactions are regulated
- Management/Administrative/Provider contracts subject to review
- Biographical statements, fingerprints, background investigations required for owners/officers/directors
- Permitted investments specified
- On site examinations performed

# Primary Causes of Life and Health Insolvencies for the period 1992 to 2002

Inadequate Pricing	25%
Affiliate Problems	22%
Rapid Growth	13%
Alleged Fraud	11%
Investment Problems	8%
Reinsurance Failure	4%
Significant Change in Business	2%
Miscellaneous	15%

# Form and Rate Review

- Ensure compliance with statute
  - Contract requirements
  - Consumer protections
  - Continuity of coverage
- Prohibit
  - Inconsistent, ambiguous or misleading clauses
  - Exceptions or conditions that deceptively affect risk purported to be assumed
  - Prohibit premium rates that are excessive, inadequate, or unfairly discriminatory

# Florida Rate Regulation

- General
  - Minimum loss ratio
  - Prohibited practices
    - Durational rating
    - Select and ultimate rating
  - Required practices
    - Pooling of similar forms

# Florida Rate Regulation

- Individual
  - Pre-funding of underwriting wear-off
  - 70% loss ratio
- Small Group
  - Modified community rating
    - Gender/age/family composition/tobacco use/ geographic area
    - Health status/claims experience/duration
  - 65% loss ratio
- Large Group
  - Exempt from prior approval of rates
  - 70% loss ratio



# Questions

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# Florida Rate Regulation

- How to develop a rate
  - Estimate claim costs per person
    - Projected from history
    - Actuarial studies and statistical tables
    - Other industry data
  - Add expenses load
    - Commissions and acquisition costs
    - Administrative costs
    - Profit/contingency
    - Limited by loss ratio

# Florida Rate Regulation

- How to develop a rate
  - Formula:
    - Claims cost divided by loss ratio equals premium rate
  - Examples
    - Claims Cost = \$75 pmpm
    - At 65% loss ratio, rate = \$115.38
    - At 70% loss ratio, rate = \$107.14
    - At 85% loss ratio, rate = \$93.75