

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
DIVISION OF INSURANCE

IN THE MATTER OF CAUSE  
THE PROGRAM OF REINSURANCE PLAN  
OF OPERATION - RATES AND AGENT  
AMENDMENT, CHAPTER 586,  
1997 STATUTES OF NEVADA.  
(HIPAA - Health Insurance Portability and  
Accountability Act of 1996).

NO. 98.103  
ORDER APPROVING  
BASE RATES AND COMPENSATION  
AMENDMENT TO  
PLAN OF OPERATION

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A public workshop was held at 1:00 p.m., on July 15, 1998, and a public hearing commenced immediately thereafter, at the offices of the Department of Business and Industry, Division of Insurance (Division), 1665 Hot Springs Road, Suite 152, Carson City, Nevada 89706, to review the base rates of the Reinsurance Board and Amendments to the Plan of Operation submitted by the Board of Directors of the Program of Reinsurance (Board), regarding the Basic and Standard Health Benefit Plans. At the hearing, the Commissioner of Insurance (Commissioner) reviewed the proposed base reinsurance rates and the agent compensation amendment to the Plan of Operation as submitted by the Board. Copies of the base reinsurance rates and the agent compensation amendment to the Plan of Operation are on file and available for the public at the Carson City and Las Vegas offices of the Division.

SUMMARY OF PROCEEDINGS

1. Ed Holme, Chairman of the Board presented the rates and amendment. William J. Thompson, FSA, MAAA, a consulting actuary with Milliman & Robertson, Inc., was retained by the Board to prepare rates that met statutory requirements. Mr. Thompson testified that the proposed base reinsurance rates were based upon an average market rate of insurers and HMO's in Nevada. He testified that 80 percent of the carriers transacting health insurance business in Nevada responded to his survey. His methodology was presented to the Commissioner. A summary was introduced to the proceeding as Exhibit 1.

2. The base reinsurance rates distributed to health insurance carriers on June 12, 1998, were presented in three tables identified as Exhibit 2. When one member of a group is ceded, the base reinsurance rate is found in Table 1. Table 2 pertains to where an entire group is ceded. Table 3 pertains to when an eligible person is reinsured.

3. Mr. Thompson recommended two adjustments for HMO's. HMO's may obtain equivalent reimbursement based upon capitated services or a carrier valuation of services. Equivalent reimbursement may be 119 percent of RVRBS or of DRG rates for HMO's with detailed encounter data, or, if the plan does not maintain detailed encounter information, the plan will determine what the services are and apply the same requirement. TOH, July 15, 1998, at p.8.

FINDINGS OF FACT

Based upon the testimony and exhibits presented at the hearing, the Hearing Officer makes the following Findings of Fact:

1. The base premium rates for reinsurance do meet and reasonably approximate the gross premiums charged to small employers and eligible persons as provided in NRS 689C.810. The methodology is reasonable and fair and was developed in accordance with NRS 689C.810.

2. If an assessment is made for a federally qualified HMO, a 6.3 percent reduction is appropriate for the small group pool and a 4.7 percent reduction is appropriate for the individual pool.

CONCLUSIONS OF LAW

Based upon these Findings of Fact, the Hearing Officer hereby concludes:

1. The base reinsurance rates comply with NRS 689C.810.
2. Insurers and HMO's must elect to be risk assuming or reinsuring carriers within 30 days of this Order. NRS 689A.670(1) and NRS 689C.283(1).

ORDER OF THE COMMISSIONER

Based upon the testimony and documents presented and these Findings of Fact and Conclusions of Law, IT IS HEREBY ORDERED that:

1. The base reinsurance rates be adopted for use in the state of Nevada by the Program of Reinsurance for Small Employers and Eligible Persons.
2. The agent compensation amendment to the Plan of Operation is approved.
3. HMO assessments for a federally qualified HMO will include a 6.3 percent reduction for the small group pool and a 4.7 percent reduction for the individual pool, to the extent that restrictions are placed on such a federally qualified HMO that are not imposed on other carriers.
4. The election by insurers and HMO's must occur within 30 days of this Order. A copy of the election form is attached as Exhibit A.

SO ORDERED this 10th day of August, 1998.

ALICE A. MOLASKY-ARMAN  
Commissioner of Insurance

