

**Supporting Statement for the Information Collection Requirements  
Contained in the Grants to States for Rate Review Cycle IV and Effective Rate Review Program  
OMB Control No. 0938-1121**

**A. Justification**

**1. Circumstances Making the Collection of Information Necessary**

Grants to States for Rate Review

On March 23, 2010, the President signed into law H.R. 3590, the Patient Protection and Affordable Care Act (ACA), Public Law 111-148. Section 1003 of the Affordable Care Act amends the Public Health Service Act by adding Section 2794 "Ensuring Consumers Receive Value for Their Dollars." This section requires the Secretary (the Secretary) of the U.S. Department of Health and Human Services (HHS) in conjunction with states and territories, to establish a process for the annual review of health insurance premiums to protect consumers from unreasonable, unjustified and/or excessive plan increases. This requirement takes effect beginning with the 2010 plan year.

Section 2794(c) directs the Secretary to carry out a program to award grants to states, which are to serve the following purposes:

- (1) Establish or enhance rate review programs, referred to as "Rate Review" activities;
- (2) Help states to provide data to the Secretary regarding trends in rate increases as well as recommendations regarding plan participation in the Exchange, referred to as "Required Rate Reporting" activities;
- (3) Establish or enhance Data Centers that collect, analyze, and disseminate health care pricing data to the public, referred to as "Data Center" activities.

Congress has appropriated \$250 million to be awarded in federal fiscal years (FFYs) 2010 through 2014.

HHS released the Premium Review Grants Cycle I funding opportunity twice; first to states (and the District of Columbia) in July 2010 and then to the territories and the five states that did not apply during the first release. The second release was due to the decision that the territories were subject to provisions of the ACA and hence eligible for the Rate Review Grants. Forty-five states, five territories, and the District of Columbia were awarded grants.

On February 24, 2011, HHS released the Funding Opportunity Announcement (FOA) for Cycle II Premium Rate Review Grants. In Phase I, HHS awarded \$109 million to 29 states. In Phase II, \$8 million was awarded to one state and three territories on September 21, 2012. On December 21, 2012, Cycle II of the Rate Review Grant Program was amended in order to include an additional application date as states prepared for the establishment of Exchanges in 2014. In Phase III, one state was awarded \$2 million.

On May 8, 2013, HHS released the Cycle III FOA of the Rate Review Grants. On July 9, 2013, HHS released an amendment to the Cycle III FOA that extended the Letter of Intent deadline. In Cycle III, twenty states and one territory were awarded a total of \$67,634,277.00.

Concurrent with this information collection requirement (ICR), HHS released Cycle IV of the Rate Review Grants, *Grants to States to Support Health Insurance Rate Review and Increase Transparency in the Pricing of Medical Services*. The purpose of Cycle IV of the Rate Review Grant Program is to continue the rate review successes of Cycles I, II, and III, as well as to provide greater support to Data Centers, thereby enhancing medical pricing transparency.

As in Cycle II and Cycle III, the Cycle IV grant provides resources to states to improve their rate review processes. Cycle IV provides states the opportunity to continue enhancing or establishing Effective Rate Review Programs, Required Rate Reporting activities, and/or Data Center activities.

Any state applying for a Cycle IV grant to develop or enhance its rate review activities must demonstrate that, as of the Cycle IV grant application due date, the state either: (i) already meets the Effective Rate Review Program criteria described in the final regulation; or (ii) as a result of receiving Cycle IV grant funds, it will have the resources to meet those criteria within the twelve month period following the receipt of the Cycle IV Notice of Award. A state or territory that previously received Cycle II or Cycle III funding to establish an Effective Rate Review Program should have an Effective Rate Review Program in place by the end of their respective Cycle II or Cycle III grant. If a state or territory that previously received Cycle II or Cycle III funding to establish an Effective Rate Review Program applies for Cycle IV funding and does not meet the Effective Rate Review Program criteria, HHS reserves the right to place special terms and conditions on the Cycle IV grant until such time the state or territory achieves and maintains an Effective Rate Review Program.

In addition to Rate Review and Required Rate Reporting activities, the Cycle IV grants offer greater support for one of the fund purposes outlined in Section 2794(c) – the establishment of Data Centers. The Cycle III grant provided states with funds to establish or enhance Data Centers. The Cycle IV FOA continues to provide funds to states to create or enhance Data Centers to ensure greater public access to medical pricing data.

The Cycle IV FOA differs from the Cycle III FOA by changing eligibility requirements for those states that received Cycle II funding by eliminating the requirement that a state provides a comprehensive plan to invest at least \$500,000 to expand health care pricing, and by changing the amount that a state must draw down on Cycle II funds to forty (40) percent, rather than the fifty-five (55) percent requirement in Cycle III. The Cycle IV grant reduces the burden on states applying for Rate Review activities by eliminating the requirement that the grant application include a letter from the Governor or independently-elected Insurance Commissioner officially endorsing the grant application.

In Cycle IV, the project period and funding awarded to each recipient will be conditional upon funding availability. As a result, all applicants must submit a mandatory Letter of Intent. CMS uses this information to determine the amount of funding available to each recipient. The amount of funding available will determine the overall project period. The project period is expected to be 12 months unless there is sufficient funding to issue awards for a two-year project period. CMS will provide applicants with information on the project period and their funding allocation prior to July 1, 2014.

Baseline funding consists of \$719,643 per grant year. **If** there are sufficient funds, states may also receive supplemental awards, called “*Workload*” and “*Performance*” funds. “*Workload*” funds are determined based on the population and number of health insurance carriers. “*Performance*” funds are determined based on the ability to disapprove unreasonable rate increases in at least one market (i.e. individual or small group). CMS will inform states of funding allocations following submission of the mandatory Letters of Intent.

The application for the Cycle IV FOA is due on July 21, 2014. Awards are scheduled to be made 60 days after applications are due.

States and territories that apply for funds are required to complete the grant application. States and territories that are awarded funds under this funding opportunity are required to provide the Secretary with rate review data, four quarterly reports, and one annual report per year until the end of the grant period detailing the state’s progression towards a more comprehensive and effective rate review process. A final report is due at the end of the grant period.

#### Effective Rate Review Program

Section 1003 of the Affordable Care Act adds a new section 2794 of the PHS Act which directs the Secretary, in conjunction with the states, to establish a process for the annual review of “unreasonable increases in premiums for health insurance coverage.” The statute provides that health insurance issuers must submit to the Secretary and the applicable state justifications for unreasonable premium increases prior to the implementation of the increases. Section 2794 also specifies that beginning with plan years beginning in 2014, the Secretary, in conjunction with the states, shall monitor premium increases of health insurance coverage offered through an Exchange and outside of an Exchange.

On May 23, 2011, CMS published a final rule with comment period (76 FR 29964) to implement the annual review of unreasonable increases in premiums for health insurance coverage called for by section 2794. The regulation established a rate review program to ensure that all rate increases that meet or exceed an established threshold are reviewed by a state or CMS to determine whether the rate increases are unreasonable. Under the regulation, if CMS determines that a state has an Effective Rate Review Program in a given market, using the criteria set forth in the rule, CMS will adopt that state’s determinations regarding whether rate increases in that market are unreasonable, provided that the state reports its final determinations to CMS and explains the bases of its determinations.

The final rule titled “Patient Protection and Affordable Care Act; Health Insurance Market Rules; Rate Review” (78 FR 13406, February 27, 2013) amends the standards under the rate review program. The amendments revise the timeline for states to propose state-specific thresholds for review and approval by CMS. The amendments also modified criteria and factors for states to have an Effective Rate Review Program. These changes were necessary to reflect the new market reform provisions discussed above and to fulfill the statutory requirement beginning in 2014 that the Secretary, in conjunction with the states, monitor premium increases of health insurance coverage offered through an Exchange and outside of an Exchange.

CMS is authorized under 45 CFR § 154.301(d) to evaluate whether, and to what extent, a state's circumstances have changed such that it has begun to or has ceased to satisfy the Effective Rate Review Program criteria.

Currently, CMS relies on publicly-available information and annual calls with individual states to obtain the information needed to evaluate whether a state has begun to or continues to satisfy the Effective Rate Review Program criteria. CMS is proposing to instead collect the information in writing from all states. A number of states have suggested that it would make the process more efficient and effective for them, while providing CMS with more detailed information.

## **2. Purpose and Use of Information Collection**

### **Cycle IV Process**

The data collection will be used by HHS to request that states and territories submit the following:

- An application to apply for the Cycle IV Rate Review Grants. Guidance requirements for the application are provided in the Funding Opportunity Announcement, beginning in Section IV, entitled "Application and Submission Information."
- Four quarterly reports per year to the Secretary detailing the state's enhancements of their rate review programs or Data Centers. Data elements have been adjusted in order to enhance reporting on Data Center activities.
- Rate review transaction data collected by the state.
- One annual report.
- One final report at the end of the grant.

This information will assist HHS in planning for and executing grants to states for Rate Review and Data Center activities. In addition, reporting of information by grant awardees will assist HHS in ensuring that grant awardees report and share data with the Secretary as required by the statute.

### **Effective Rate Review Program**

The information provided by the States will be used by HHS to determine whether the State has an effective rate review program. See the Effective Rate Review Determination and Status Questions for details regarding information to be collected.

## **3. Use of Improved Information Technology and Burden Reduction**

### **Rate Review Grants Program**

All information collected in the grant application will be submitted electronically via grants.gov. HHS staff will analyze the data electronically and communicate with states and territories using email and phone.

All reports will be submitted electronically by states and territories. For submission of transaction data records, the awardees will be provided with a structured Excel worksheet or the data will be transmitted directly from the NAIC. A web-based interface will be provided to support ease of report and data submission during the award period. All reports (quarterly, annual and final) will be submitted electronically.

#### Effective Rate Review Program

States will provide the information via the Health Insurance Oversight System (HIOS)—a web-based data collection system that is already being used by states to provide information for the healthcare.gov website (additional PRA-related information regarding HIOS is provided in the Web Portal PRA package (0938-1086)). All submissions will be made electronically and no paper submissions are required. The burden estimates provided in this statement include the time and effort that will be dedicated to uploading information in HIOS.

#### **4. Efforts to Identify Duplication and Use of Similar Information**

The information collected for Cycle IV is not duplicative of the information collected for Cycles I, II, or III.

For the ICR related to Effective Rate Review Program, some of the information regarding rate submissions reviewed by states is currently collected by the information collection for grants to states for rate review. However, data related to grants is collected only for a subset of states that are expected to respond to this ICR. In addition, the data related to grants will not be collected beyond 2015-2016 as states begin closing grant cycles II -IV.

#### **5. Impact on Small Businesses or Other Small Entities**

Small businesses are not affected by these ICRs.

#### **6. Consequences of Collecting the Information Less Frequent Collection**

##### Cycle IV Process

Information collected in the grant application is a one-time data collection for the purposes of determining eligibility to receive a grant award. As this grant may be a multi-year award, collection at a frequency less than quarterly report, such as annual reports only, will put the Federal grant funding at risk due to the lack of oversight.

All reports will be submitted electronically by states and territories. For submission of transaction data records, the awardees are provided with a structured Excel worksheet or the data will be transmitted directly from the NAIC. A web based interface is used to support ease of report and data submission during the award period.

##### Effective Rate Review Program

CMS makes an annual determination of whether a state has an Effective Rate Review Program. Therefore, states must provide the information annually to CMS in order for CMS to make the determination prior to the date when rate filings are first due for that year.

#### **7. Special Circumstances Relating to the Guidelines of 5 CFR 1320.5**

No special circumstance.

**8. Comments in Response to the Federal Register Notice/Outside Consultation**

A Federal Register notice was published on June 2, 2014 (79 FR 31336), providing the public with a 60-day period to submit written comments on ICRs. CMS received no public comments. For the Effective Rate Review Program, a number of states have suggested that collecting information in writing would make the process more efficient and effective for them.

**9. Explanation of any Payment/Gift to Respondents**

There will be no payments or gifts to respondents.

**10. Assurance of Confidentiality Provided to Respondents**

No personal health information will be collected. All information will be kept private to the extent allowed by applicable laws/regulations. CMS makes available to the public on its website a list of states that are determined to have an Effective Rate Review Program.

**11. Justification for Sensitive Questions**

No sensitive information will be collected.

**12. Estimates of Annualized Burden Hours (Total Hours & Wages)**

Grants to States for Rate Review

The Cycle IV funding opportunity provides states with the opportunity to apply for funding as they progress toward becoming a state with an Effective Rate Review Program and/or enhancing or establishing a Data Center. Prior to submitting an application, applicants are required to submit a Letter of Intent via email; this Letter of Intent does not need to exceed one sentence, and is to be submitted electronically.

Application response requirements are determined by the purpose for which the applicant seeks funds.

- Applicants applying for funds to establish or enhance Rate Review activities and Required Rate Reporting will be asked to provide information on, among other things: a) their current rate review process for health insurance; and b) changes that the state proposes to operate Effective Rate Review Programs. States currently reviewing rate filings that meet the Effective Rate Review Program requirements will need to propose enhancements to further strengthen their existing authorities and process. States that do not currently meet the Effective Rate Review Program criteria in the individual and/or small group markets must commit to using Cycle IV funds to meet these criteria and describe their plans to become an effective review state. States will also be required to describe their plan for reporting data on health insurance premiums to the Secretary, and to make recommendations, as appropriate, to the applicable Exchange about whether particular health insurers should be excluded from the Exchange.

- Applicants applying for funds to establish or enhance a Data Center will be asked to provide information on, among other things: a) existing Data Centers that collect and report pricing, cost, charge and/or quality data in the applicant's state; and b) proposed plans to enhance or establish a Data Center that collects, analyzes, and publishes pricing, and cost data to the public.
- Applicants applying for funds to establish or enhance both Data Center activities and Rate Review Activities/Required Rate Reporting will be required to complete both sections of the application.

Once states, territories, and the District of Columbia are awarded grant funds, they are required to provide the Secretary with quarterly reports 30 days after the quarter has ended for the entire duration of the grant. The quarterly report allows awardees to update HHS with the progression towards establishing or enhancing Rate Review or Data Center activities. The report narrative asks for significant events towards the goal, in addition to any barriers experienced and plans for rectifying any setbacks. In addition, the report asks for data components to track the progression of rate review within a state and an updated budget, work plan and time line, as well as collection of rate review and pricing data.

In addition, each grantee must provide HHS with an annual report. This report does not contain data, but instead documents the progress toward establishing or enhancing an Effective Rate Review Program and/or a Data Center. Finally, HHS requires a final report at the end of the grant period. Similarly, this report does not contain data, but instead documents the progress toward establishing or enhancing an Effective Rate Review Program and/or a Data Center.

**Cycle IV Process**

**Application Process**

In order to complete the application, each applicant will need to read the application requirements, assemble, review, finalize and submit an application package to HHS. This burden estimate encompasses the entire application process which includes assembly of all required application content (technical approach, cost proposal, application format, extraction and summarization of current activities if applicable), certification of the application package by a senior official at the state or Delegated Entity, application submission to HHS and any subsequent application amendments or corrections that may be necessary for application approval. The final application must be submitted electronically via grants.gov using the directions furnished in the application by HHS.

We estimate that it will take approximately 160 hours per applicant to read, assemble, review, finalize and submit their application proposal package to HHS.

It is estimated that up to 42 respondents may submit an application, which is higher than the number of respondents from Cycle II (34) and Cycle III (21).

**12G. Estimated Annualized Burden Table - Application**

Forms (If necessary)	Type of Respondent	Number of Respondents	Number of Responses per	Average Burden hours	Total Burden Hours
-------------------------	-----------------------	--------------------------	----------------------------	-------------------------	-----------------------

			<b>Respondent</b>	<b>per Response</b>	
Grant Application	Territory or State Government	42	1	159	6,678
<b>Total</b>				<b>159</b>	<b>6,678</b>

**12H. Estimated Annual Cost – Application Submission**

Type of respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours	Wage per Hour	Burden Costs Per Annualized Response
Supervisor DOI Staff Review –GS 14, Step 1	42	1	52.5	\$40.58	\$2,130
DOI Staff Report Writing—GS 13, Step 4	42	1	106.5	\$37.78	\$4,024
<b>Total</b>			<b>159</b>		<b>\$6,154</b>

**12I. Estimated Annualized Burden Hours - Reporting**

Forms  (If necessary)	Type of Respondent	Number of Respondents	Number of Responses per Respondent	Estimated Burden hours per Response	Total Estimated Burden Hours
Quarterly Report	Territory or State Government	42	4	26	4,368
Transaction Data Collection	Territory or State Government	42	5	30	6,300
Annual Report	Territory or State Government	42	1	40	1,680
Final Report	Territory or State Government	42	1 (not annual; end of grant)	40	1,680



<b>Total</b>			<b>10 per year</b> (4 quarterly reports, 5 data submissions; 1 annual), 1 final report.  <b>11 total responses</b>		<b>14,028</b>
--------------	--	--	---	--	---------------

**12J. Estimated Annual Cost - Reporting**

Type of respondent	Number of Respondents	Number of Responses per Respondent	Average Burden Hours	Wage per Hour	Burden Costs Per Annualized Response
Supervisor DOI Staff Review – GS 14, Step 1	42	10	6,235	\$40.58	\$253,016
DOI Staff Report Writing –GS 13, Step 4	42	10	12,469	\$37.78	\$471,079
<b>Total</b>			<b>18,704</b>		<b>\$724,095</b>

Through application and reporting, Cycle IV will require 18,863 in annual hours and \$730,249 in annual labor costs.

Effective Rate Review Program

Currently, 45 states, the District of Columbia, and 3 territories have Effective Rate Review Programs. We assume that these states and territories will want to maintain their effective status and submit the requested information. Therefore, we estimate that there will be 49 respondents annually for this ICR.

We estimate that in the first year (2015) it will take 2 hours by an actuary (with a labor cost of \$225 per hour) and 2 hours by administrative support staff (with a labor cost of \$33.67 per hour) and 1 hour by a manager (with a labor cost of \$60.90 per hour) to collect all information, prepare responses, upload the information in HIOS and respond to any subsequent inquiries. The burden per respondent is estimated to be 5 hours and the cost per respondent is estimated to be \$319.57. The total burden for all 49 respondents is estimated to be 245 hours and the total cost for all responses is estimated to be \$15,658.81. We expect the burden to be significantly lower in future years when respondents will only need to revise their responses to reflect any changes in policy and experience.

**12K. Estimated Annualized Burden Hours and Costs**

Number of Respondents	Number of Submissions per Respondent	Total Number of Submissions	Burden Hours per Respondent	Total Burden Hours	Cost per Respondent	Total Cost
49	1	49	5	245	\$319.57	\$15,658.81

**13. Estimates of other Total Annual Cost Burden to Respondents or Record Keepers /Capital Costs**

There are no additional record keeping/capital costs.

**14. Annualized Cost to Federal Government**

Grants to States for Rate Review

Grant awards for Cycle IV awardees are estimated to be: \$40.3 million.

Total government program staffing costs include two GS-13 and one GS-9 with a break down as follows to intake and track applications, provide technical assistance with applicants, review and process applications, intake and review quarterly, annual and final reports and data analysis for an estimated 94 awardees.

GS-13: Full-time (Salary with local cost adjustment: \$89,924)	Annual cost: \$89,924
GS-13: Full-time (Salary with local cost adjustment: \$89,924)	Annual cost: \$89,924
GS -9: Full-time (Salary with local cost adjustment: \$52,146)	Annual cost: \$52,146
<b>Total:</b>	<b>\$231,994</b>

Effective Rate Review Program

Total cost to the Federal Government is estimated to be \$6,544.44. This includes 3 hours spent by a GS-13 staff to review information submitted by states to make Effective Rate Review Program determinations and conduct rate monitoring.

Number of Hours per Response	Labor Cost per Hour	Total Number of Submissions	Cost per Response	Total Cost
3	\$44.52	49	\$133.56	\$6,544.44

**15. Explanation for Program Changes or Adjustments**

Changes to the application process for Cycle IV will reduce the burden from that in Cycle III by one hour (from 160 to 159) per application. The burden for preparing and submitting the application was updated

to reflect that applicants are no longer required to obtain a letter from the Governor or independently-elected Insurance Commissioner as part of the application process. This requirement was eliminated in the Cycle IV application process.

There will be additional burden related to Cycle IV. We estimate that the one-time burden related to grant applications will be 6,678 hours or \$6,154 and the annual burden related to reporting is estimated to be 14,028 hours or \$724,094.

The additional burden related to the Effective Rate Review Program is estimated to be 245 hours or \$15,658.81 annually.

**16. Plans for Tabulation and Publication and Project Time Schedule**

The grant applications will be received by HHS no later than July 21, 2014. Grant awards will be made 60 days after the applications are due.

CMS makes available to the public on its website a list of states that are determined to have an Effective Rate Review Program.

**17. Reason(s) Display of OMB Expiration Date is Inappropriate**

Not applicable. We plan to include an expiration date.