# Supporting Statement for Paperwork Reduction Act Submission

# Rate Increase Disclosure and Review Requirements

# (45 CFR Part 154)

**(CMS – 10379/OMB Control Number 0938-1141)**

1. **Background**

The Patient Protection and Affordable Care Act (Pub. L. 111–148) was enacted on March 23, 2010 and the Health Care and Education Reconciliation Act (Pub. L. 111–152) was enacted on March 30, 2010 (collectively known as “the Affordable Care Act”). The Affordable Care Act reorganizes, amends, and adds to the provisions of Part A of title XXVII of the Public Health Service Act (PHS Act) relating to group health plans and health insurance issuers in the group and individual markets.

Section 1003 of the Affordable Care Act added section 2794 to the PHS Act, which directs the Secretary of the Department of Health and Human Services (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 justifications for unreasonable premium increases to the Secretary and the applicable State prior to the implementation of the increases. Section 2794 also specifies that the Secretary, in conjunction with States, shall monitor premium increases for health insurance coverage offered through an Exchange and outside of an Exchange.

1. **Justification**
   1. **Need and Legal Basis**

45 CFR Part 154 implements the annual review of increases in premiums for health insurance coverage called for by section 2794 of the PHS Act. 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 the Centers for Medicare and Medicaid Services (CMS) to determine whether the rate increases are unreasonable. Each State or CMS also reviews all proposed rate changes from issuers offering non-grandfathered health insurance coverage in the individual and/or small group markets for compliance with the Federal rating rules at sections 2701, 2705, 2717(c)(4), and 2753 of the PHS Act, section 1312(c) of the Affordable Care Act, and 45 C.F.R. §§ 147.102, 147.110, 148.180, and 156.80. Accordingly, issuers offering non-grandfathered health insurance coverage in the individual and/or small group markets are required to submit Rate Filing Justifications to CMS. Section 154.103 exempts grandfathered health plan coverage as defined in 45 CFR §147.140, excepted benefits as described in section 2791(c) of the PHS Act, and student health insurance coverage as defined in §147.145 from Federal rate review requirements.

Section 154.200(a) provides that a rate increase for single risk pool coverage is subject to reasonableness review if the average increase, including premium rating factors described in §147.102, for all enrollees, weighted by premium volume for any plan within the product, (1) is 15 percent or more or (2) exceeds a State-specific threshold approved by the Secretary.

The Rate Filing Justification consists of three parts. All issuers must submit a Unified Rate Review Template (“URRT,” Part I of the Rate Filing Justification) for all single risk pool plans. The URRT is intended to capture information needed to monitor rate increases and ensure compliance with the single risk pool methodology and other federal rating requirements. The URRT contains three worksheets: Worksheet 1 “Market Experience,” Worksheet 2 “Plan & Product Information,” and Worksheet 3 “Rating Areas.”

Issuers that submit a rate filing that includes a plan that meets or exceeds the applicable State or Federal threshold must include a written description justifying the rate increase, also known as the consumer justification narrative (“narrative,” Part II of the Rate Filing Justification). We note that the threshold set by CMS constitutes a minimum standard, and most States currently employ stricter rate review standards and may continue to do so.

Issuers offering a qualified health plan (QHP) or any single risk pool submission containing a rate increase of any size must submit an actuarial memorandum (Part III of the Rate Filing Justification). Additionally, the actuarial memorandum is required whenever a State with an Effective Rate Review Program, as determined in accordance with 45 CFR §154.301, requires it to be submitted, and for all plans in States that do not have an Effective Rate Review Program.

For each rate increase that is under review, either CMS or the State will prepare a final determination as to whether the proposed rate increase is unreasonable or not, as well as a brief explanation of relevant review findings.

Prior to March 2022, all issuers in the individual and small group market were submitting rate filing justifications via the Unified Rate Review (URR) module within CMS’s Health Insurance Oversight System (HIOS). In most States, issuers were also submitting the same rate filing data and forms into the National Association of Insurance Commissioners’ (NAIC) System for Electronic Rates & Forms Filing (SERFF). Most State reviewers were submitting their reasonableness determinations into both systems. That process resulted in a duplication of efforts in 47 States and the District of Columbia.

In order to decrease the burden on issuers and States, CMS and the NAIC development teams established a system connection between SERFF and HIOS. This connection allows automatic data and file transfers between the two systems to reduce duplicative manual entry work and therefore reduce the burden for issuers and State reviewers.

The new system connection is available in most States for filings created after March 25, 2022. It is not applicable to States without an Effective Rate Review Program (currently Oklahoma, Tennessee, and Wyoming), or States that do not utilize SERFF (currently Florida). The issuers in those States will continue to submit filings directly into the HIOS URR module.

# Information Users

CMS will post on its website the information contained in each Rate Filing Justification for each proposed rate increase.[[1]](#footnote-3) States have the option to post the information in the Rate Filing Justification that CMS makes available on its website or provide a hyperlink to the publicly available portions posted on the CMS website. This information is provided to increase transparency and to allow for public comments on proposed rate increases. For consumer clarity, CMS will also post on its website the final disposition of each rate increase that was subject to review under the regulation by either CMS or a State.

# Use of Information Technology

Health insurance issuers and States will provide rate review information in one of two ways. In States without an Effective Rate Review Program, or States that do not utilize SERFF, States and issuers will continue to provide the information via HIOS — a web-based data collection system that is currently used by States and issuers to provide information for the healthcare.gov website.[[2]](#footnote-4) In all other States, the information will be provided via SERFF. All data submissions will be made electronically and no paper submissions are permitted.

The rate review information that is uploaded and stored in HIOS will also be used to provide consumer-oriented information about rate increases on the ratereview.healthcare.gov website.

# Duplication of Similar Information

There is no duplication of information requirements in any other collection.

# Small Businesses

Small businesses are not affected by this collection as health insurance issuers are generally not small businesses.

# Less Frequent Collection

Section 2794 of the PHS Act requires health insurance issuers to provide justifications for rate increases prior to implementation. Therefore, a less frequent collection cannot be considered for this information collection.

# Special Circumstances

No special circumstances exist for this information collection.

# Federal Register Notice/Outside Consultation

A Federal Register Notice was published on June 4, 2024 (89 FR 47966), providing the public with a 60-day period to submit written comments on the information collection request (ICR). No comments were received. A 30-day Federal Register published on August 21, 2024. (89 FR 47966).

CMS has sought public comment on this information collection in the past and made changes as appropriate based on comments received. CMS will continue to take public comments into consideration for future changes.

# Payments/Gifts To Respondents

There will be no payments or gifts to respondents.

# Confidentiality

CMS will make available to the public on its website the information contained in each Rate Filing Justification that is not considered a trade secret or confidential commercial or financial information and is approved for release under the Freedom of Information Act. Issuers are also required to submit redacted actuarial memorandums for public display.

# Sensitive Questions

There are no sensitive questions included in this collection effort. The Department of Health and Human Services (HHS) does not propose to collect any private information.

# Burden Estimates (Hours & Wages)

Table 12.1 – Adjusted Median Hourly Wages Used in Burden Estimates

| **Occupation Title** | **Occupational Code** | **Median Hourly Wage ($/hour)** | **Cost of Fringe Benefits and Other Indirect Costs ($/hour)** | **Adjusted Hourly Wage ($/hour)** |
| --- | --- | --- | --- | --- |
| Actuary | 15-2011 | $57.69 | $57.69 | $115.38 |
| Actuary (State Government) | 15-2011 | $45.13 | $45.13 | $90.26 |

Adjusted hourly labor costs (which include a 100 percent increase of the median hourly wage rate to account for the cost of fringe benefits and other indirect costs) are calculated using data available from the Bureau of Labor Statistics.[[3]](#footnote-5)

**Submission of Unified Rate Review Templates (URRTs) (Part I of Rate Filing Justification)**

Based on recent experience, we expect to receive a total of approximately 803 URRT submissions per year from approximately 573 issuers. We expect 743 of those to be submitted by issuers in States that have an Effective Rate Review Program and use SERFF. We expect 60 of those to be submitted, via HIOS, by issuers in States without an Effective Rate Review Program or that do not use SERFF.[[4]](#footnote-6)

When the URRT is submitted into SERFF, the data and files will automatically transfer to HIOS, reducing the burden of duplicative manual entry of rate filings. Due to the system connection between SERFF and HIOS, we estimate that issuers in States that have an Effective Rate Review Program and use SERFF will experience a 1-hour reduction in burden for each URRT submission. Therefore, we estimate that it will take an actuary 8 hours[[5]](#footnote-7) (at an hourly rate of $115.38) to prepare and submit the URRT, with an associated annual cost of approximately $923. Therefore, we estimate the total annual burden for all issuers in those States to be approximately 5,994 hours with an associated annual cost of approximately $685,819.

For issuers that must submit the URRT into SERFF and also submit directly into HIOS, it will take an actuary 9 hours (at an hourly rate of $115.38) to prepare and submit each URRT, with an associated cost of approximately $1,038. The total annual burden for all issuers submitting directly into HIOS will be 540 hours, with an associated annual cost of approximately $62,305.

The total annual burden for all issuers to prepare and submit URRTs will be 6,484 hours with an associated total cost of approximately $748,124.

Table 12.2 – Estimated Annualized Burden Hours and Costs for Submission of URRTs

|  | **Number of URRTs** | **Burden per URRT** | **Cost per Hour** | **Cost per URRT** | **Total Burden** | **Total Cost** |
| --- | --- | --- | --- | --- | --- | --- |
| **SERFF only** | 743 | 8 | $115.38 | $923 | 5,944 | $685,819 |
| **State + HIOS** | 60 | 9 | $115.38 | $1,038 | 540 | $62,305 |
| **Total** | 803 |  |  |  | 6,484 | $748,124 |

**Submission of Consumer Justification Narrative (Part II of Rate Filing Justification)**

Based on recent experience, we estimate that the number of narratives submitted annually will be 174. We expect 165 of those to be submitted in States that have an Effective Rate Review Program and use SERFF. We expect 9 of those to be submitted, via HIOS, by issuers in States without an Effective Rate Review Program or in States that do not use SERFF. Issuers that no longer need to submit into HIOS and only submit into SERFF will experience a reduction in burden of 0.5 hours for each narrative.

For those issuers that will submit only into SERFF, we estimate that it will take an actuary 1 hour (at an hourly rate of $115.38) to prepare and submit each narrative, with an associated cost of approximately $115. Therefore, we estimate a total annual burden for all issuers in States that have an Effective Rate Review Program and use SERFF to be approximately 165 hours with an associated annual cost of approximately $19,038.

For issuers that must submit the narrative both to SERFF and directly into HIOS, we estimate that an actuary will require 1.5 hours (at an hourly rate of $115.38) to prepare and submit each narrative, with an associated cost of approximately $173. The total annual burden for all issuers that will submit the narrative directly into HIOS will be 13.5 hours with an associated annual cost of approximately $1,558.

The total annual burden for all issuers to prepare and submit consumer justification narratives will be 178.5 hours with an associated total cost of approximately $20,595.

Table 12.3 – Estimated Annualized Burden Hours and Costs for Submission of Consumer Justification Narratives

|  | **Number of Narratives** | **Burden per Narrative** | **Cost per Hour** | **Cost per Narrative** | **Total Burden** | **Total Cost** |
| --- | --- | --- | --- | --- | --- | --- |
| **SERFF only** | 165 | 1 | $115.38 | $115 | 165 | $19,038 |
| **State + HIOS** | 9 | 1.5 | $115.38 | $173 | 13.5 | $1,558 |
| **Total** | 174 |  |  |  | 178.5 | $20,595 |

**Submission of Actuarial Memorandum (Part III of Rate Filing Justification)**

Based on recent experience, we estimate the number of actuarial memoranda submitted will be 803 annually. We expect 743 of those to be submitted in States that have an Effective Rate Review Program and use SERFF. We expect 60 of those to be submitted by issuers in States without an Effective Rate Review Program or States that do not use SERFF. Issuers that no longer need to submit into HIOS and only submit into SERFF will experience a reduction in burden of 0.5 hours for each actuarial memorandum.

For issuers that submit only into SERFF, we estimate that an actuary will require 13.5 hours (at an hourly rate of $115.38) to prepare and submit each actuarial memorandum, with an associated annual cost of approximately $1,558. Therefore, the total annual burden for all issuers in States that have an Effective Rate Review Program and use SERFF will be approximately 10,031 hours with an associated annual cost of approximately $1,157,319.

For issuers that must submit both into SERFF and directly into HIOS, we estimate that an actuary will require 14 hours (at an hourly rate of $115.38) to prepare and submit each actuarial memorandum, with an associated cost of $1,615. The total annual burden will be 840 hours with an associated annual cost of approximately $96,919.

The total annual burden for all issuers to prepare and submit the actuarial memoranda will be 10,870.5 hours with an associated total cost of approximately $1,254,238.

Table 12.4 – Estimated Annualized Burden Hours and Costs for Submission of Actuarial Memoranda

|  | **Number of Memos** | **Burden per Memo** | **Cost per Hour** | **Cost per Memo** | **Total Burden** | **Total Cost** |
| --- | --- | --- | --- | --- | --- | --- |
| **SERFF only** | 743 | 13.5 | $115.38 | $1,558 | 10,031 | $1,157,319 |
| **State + HIOS** | 60 | 14 | $115.38 | $1,615 | 840 | $96,919 |
| **Total** | 803 |  |  |  | 10,871 | $1,254,238 |

The table below includes a summary of burden to issuers related to submission of all parts of the Rate Filing Justification.

Table 12.5 – Estimated Annualized Burden Hours and Costs for Rate Filing Justification for Issuers

|  | **Number of URRT Submissions** | **Estimated Total Burden Hours for URRT Submissions** | **Number of Consumer Justification Narratives** | **Estimated Total Burden Hours for Narratives** | **Number of Actuarial Memoranda** | **Estimated Total Burden Hours for Actuarial Memos** | **Estimated Total Burden Hours for All 3 Parts of Rate Filing** | **Estimated Total Cost for All 3 Parts of Rate Filing** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Issuers in OK, TN, WY, and FL[[6]](#footnote-8)** | 60 | 540 | 9 | 13.5 | 60 | 840 | 1,394 | $160,782 |
| **Issuers in all other States** | 743 | 5,944 | 165 | 165 | 743 | 10,031 | 16,140 | $1,862,176 |
| **Total** | 803 | 6,484 | 174 | 178.5 | 803 | 10,871 | 17,533 | $2,022,958 |

**Review of Rate Filing Justifications by State Reviewers**

Previously, in the Supporting Statement published on January 24, 2019,[[7]](#footnote-9) CMS erroneously accounted for the burden to review the consumer justification narrative, providing an estimate of 38.5 hours. That estimate was the approximate number of hours for State personnel to review the entire rate filing, not just the consumer justification narrative.

We estimate the total annual burden and costs for State reviewers in States that have an Effective Rate Review Program and use SERFF to decrease by 1.5 hours, since those reviewers need to record their rate review determination into only one system. We estimate, for each of those States, an actuary will require approximately 37 hours (at an hourly rate of $90.26) to review the issuers’ filings and to prepare and submit their determination, with an associated cost of approximately $3,340. Therefore, we estimate a total annual burden of 27,491, with an associated annual cost of $22,481,338.

We estimate that in Florida, State reviewers will review 28 Rate Filing Justifications and that an actuary will require 38.5 hours (at an hourly rate of $90.26) to review each justification and record the rate review determination in the State system and in HIOS, with an associated cost of $3,475 The total annual burden to review all Rate Filing Justifications in Florida will be approximately 1,078 hours, with an associated annual cost of approximately $97,300.

For all states that have an Effective Rate Review Program, the total annual burden to review all Rate Filing Justifications will be 28,569 hours with an associated annual cost of approximately $2,578,638.

Table 12.6 – Estimated Annualized Burden Hours and Costs for Review of Rate Filing Justifications by State Reviewers[[8]](#footnote-10)

|  | **Total Number of Submissions** | **Burden Hours per Submission** | **Cost per Submission** | **Total Burden Hours** | **Total Cost** |
| --- | --- | --- | --- | --- | --- |
| **State reviewers in FL[[9]](#footnote-11)** | 28 | 38.5 | $3,475 | 1,078 | $97,300 |
| **State reviewers excluding OK, TN, WY and FL** | 743 | 37 | $3,340 | 27,491 | $2,481,338 |
| **Total** | 771 |  |  | 28,569 | $2,578,638 |

The table below includes a summary of burden to issuers and States related to submission and review of Rate Filing Justifications.

Table 12.7– Estimated Total Annualized Burden Hours and Costs for Rate Filing Justifications by Issuers and Review by State Reviewers

|  | **Total Number of Respondents** | **Total Number of Responses** | **Estimated Average Burden per Response (hours)** | **Estimated Total Burden Hours for All Parts of Rate Filing Justification (hours)** | **Estimated Total Cost for All Parts of Rate Filing** |
| --- | --- | --- | --- | --- | --- |
| **Rate Filing Justification Submissions by Issuers** | 573 | 1,780 | 9.85 | 17,533 | $2,022,958 |
| **Review of Rate Filing Justifications by State Reviewers** | 47 | 771 | 37.05 | 28,569 | $2,578,638 |
| **Total** | 620 | 2,551 |  | 46,102 | $4,601,595 |

# Capital Costs

Issuers and States will not incur capital costs to fulfill these requirements.

# Cost to Federal Government

CMS reviews all rate changes for compliance and all rate increases that meet the 15 percent Federal threshold for reasonableness in a State that does not have an Effective Rate Review Program.[[10]](#footnote-12) This activity is conducted with the use of contracted services. The cost to the Federal Government will be $415,213 annually.

Table 14.1 – Estimated Annualized Cost to the Federal Government

|  |  |
| --- | --- |
| **Type of Cost** | **Estimated Annual Cost** |
| Total Costs Related to Rate Review | $415,213 |

# Changes to Burden

There is an overall increase in burden hours associated with this information collection.

As a result of the new system connection between SERFF and HIOS, issuers in 47 States and the District of Columbia will only have to submit Rate Filing Justifications into SERFF and no longer duplicate efforts by submitting the same information into HIOS as well. As a result of the system connection between SERFF and HIOS and a reduction of 16 issuers (from 589 to 573) there is an overall decrease of 602 (from 2,382 to 1,780) rate filling justification submissions, resulting in a total decrease in the burden to issuers of 2,726 hours (from 20,259 to 17,533).

Due to an increase of 152 (from 619 to 771) reviews carried out by State reviewers, States will incur a total increase in burden of 4,533 hours (from 24,036 hours to 28,569 hours).

As a result of these changes, there is an overall increase in burden of 1,808 hours.

# Publication and Tabulation Dates

As part of consumer transparency and disclosure, certain information from the Rate Filing Justifications will be posted by HHS for all proposed rate increases and for all final rate changes. A final disposition of the rate review will also be posted and, if the rate change is identified as unreasonable and implemented by the issuer, the issuer must also post a final justification as defined in regulations within 10 business days.[[11]](#footnote-13)

# Expiration Date

The expiration date will be displayed on the first page of each instrument (top, right-hand corner).

1. CMS will make available to the public on its website the information contained in Parts I and III of each Rate Filing Justification that is not a trade secret or confidential commercial or financial information as defined in HHS's Freedom of Information Act regulations, 45 CFR 5.31(d). [↑](#footnote-ref-3)
2. Additional PRA-related information regarding HIOS is provided in the Web Portal PRA package (Health Care Reform Insurance Web Portal Requirements 45 CFR part 159, OMB control number 0938-1086). [↑](#footnote-ref-4)
3. May 2023 Occupational Employment Statistics found at <https://www.bls.gov/oes/current/oes_nat.htm> and <https://www.bls.gov/oes/current/naics4_999200.htm>). [↑](#footnote-ref-5)
4. As previously noted, Oklahoma, Tennessee, and Wyoming do not have an Effective Rate Review Program, and Florida does not use SERFF. [↑](#footnote-ref-6)
5. All burden estimates are consistent with estimates included in previous PRA packages that the public had opportunity to provide input on. [↑](#footnote-ref-7)
6. Issuers in these States will continue to submit filings into the HIOS system rather than using SERFF, so their burden estimate is higher than other States’ burden estimates. [↑](#footnote-ref-8)
7. 84 Fed. Reg. 358 (Jan. 24, 2019) available at: https://www.regulations.gov/document/CMS-2019-0012-0001. [↑](#footnote-ref-9)
8. There is no burden estimate for Sate review in Oklahoma, Tennessee and Wyoming because they do not have an Effective Rate Review Program (CMS reviews rate filings in those states). [↑](#footnote-ref-10)
9. Florida does not utilize SERFF so the burden estimate accounts for hours spent reviewing a filing and submitting a State determination into HIOS. [↑](#footnote-ref-11)
10. In light of new State legislation and regulations, CMS determined that Texas now has an Effective Rate Review Program and can review their own issuer’s submissions beginning with all plans with an effective date on or after 1/1/2023. Additionally, CMS has determined that Tennessee will no longer have an Effective Rate Review Program as of January 1, 2024. [↑](#footnote-ref-12)
11. See 45 CFR 154.230. The Final Justification must be posted on the issuer’s website and will be available at https://ratereview.healthcare.gov/. [↑](#footnote-ref-13)