THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF CONSUMER AFFAIRS
DIVISION OF INSURANCE
280 FRIEND STREET, BOSTON, 02114
(617) 727-7189

GLORIA C. LARSON
SECRETARY

KAY DOUGHTY
COMMISSIONER

October 6, 1992

John E. Flynn
Deputy City Clerk
City of Cambridge
City Hall
Cambridge, MA 02139

Dear Mr. Flynn:

The Division has received your letter to Governor Weld concerning the recent request by Blue Cross and Blue Shield of Massachusetts, Inc. (BCBS) for an increase in Medex insurance rates effective January 1, 1993.

BCBS is permitted by regulation to request an annual rate increase in its Medex rates. Before determining whether to approve the request, the Division is required by law to conduct a hearing to determine whether to approve the request for a rate increase. The hearing on BCBS' request began on September 1, 1992, when members of the public were offered the opportunity to furnish oral and written public comment concerning the rate request. The Division received oral and written testimony from BCBS, the Attorney General, legislators and many consumers and consumer organizations.

The second phase of the hearing, which follows the public comment day, is conducted in trial format and lasts for a number of weeks. The parties in this phase include BCBS, the Attorney General (AG) and the State Rating Bureau (SRB) within the Division of Insurance. During this part of the hearing, lawyers for the AG and the SRB have the opportunity to cross-examine BCBS' technical staff concerning the reasons for the request, including the the administrative and other expenses charged to nongroup subscribers. They also present witnesses of their own concerning the rate request.

In rendering a decision on the rate request, the Commissioner must follow the statutory criteria in General Laws, chapter 176A, section 6 and chapter 176B, section 4, which require that the Commissioner determine, based upon the record at the hearing, whether the benefits provided are unreasonable in relation to the proposed rates, and whether the rates are "excessive, inadequate or unfairly discriminatory." In addition the Commissioner must determine based on evidence submitted by BCBS whether the company employs a utilization review program and other techniques acceptable to the Commissioner which have had or are expected to have a demonstrated impact on the prevention of reimbursement by BCBS for services which are not medically necessary.

A final written decision will be issued after the hearing has ended and all of the parties have submitted briefs. The decision will be based on a careful evaluation of the entire record presented by BCBS and the other parties in the proceeding. As the hearing officer presiding over this hearing and the person who will be writing the decision, I cannot comment on either the issues involved in, or the outcome of, the hearing. The Division expects to issue the decision sometime in December 1992.

You are probably aware that this past year, the Division approved two rate increases for Medex, effective January 1 and August 1, 1992, rather than only one increase for the entire year. This unusual circumstance occurred only because new federal government requirements mandated that Medex benefits be expanded as of July 30, 1992, necessitating an increase in rates to cover the new benefits. Those benefits include coverage for the coinsurance for Medicare Part B services, including physician office visits.

Because of the concern over the rate increases of last year, last winter, Secretary of Consumer Affairs Gloria Larson established a working group, including the Division, BCBS, the Attorney General's office and other interested parties to work on reforms of the Medicare supplement insurance market, and in particular, to address concerns including rate adequacy and affordability to subscribers. That group continues to meet and work on these issues.

Thank you for your letter. I will include it in the record of this matter.

Yours sincerely,

Shelagh A. Ellman-Pearl

Shelagh A. Ellman-Pearl
Chief Health Insurance
Hearing Officer

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Consent Comm. # 4 S-834

Comm. from Shelagh A. Ellman-Pearl,
Chief Health Insurance Hearing Officer,
Commonwealth of Massachusetts, in
receipt of the resolution adopted by the
City Council regarding the increase in
Medex insurance rates.

In City Council,

Oct. 19, 1992

Placed on file