



**Testimony of Kevin Lembo, State Healthcare Advocate
Before the Labor and Public Employees Committee, Connecticut General Assembly
In Support of H.B. 6678
February 20, 2007**

Good afternoon Senator Prague, Representative Ryan, and members of the Labor and Public Employees Committee. For the record I am Kevin Lembo, State Healthcare Advocate, and I apologize that I am unable to be with you today. Thank you for the opportunity to submit this testimony, and I urge your support for House Bill 6678, "An Act Increasing The Availability Of Health Care For Connecticut Workers".

Controlling exponential growth in healthcare expenditures is a multifaceted problem. Increasingly, medical providers are asked to detail their costs so that potential consumers can make decisions about if and where to obtain healthcare. To achieve real accountability, we must also require insurers to be accountable for how the healthcare premium dollar is spent. In short, we need to know where our money is going. House Bill 6678, introduced by Representative McCluskey, addresses an element of accountability by requiring insurers to achieve a medical loss ratio of at least eighty-seven and one-half percent.

The insurance industry defines the percentage of premium spent on providing medical care to patients as the "medical loss ratio." This choice of words is disconcerting, but reflective of industry's drive to maximize profits. The concept that any such expenditure represents a "loss" seems contradictory to the product sold, but as private for-profit entities, medical insurance companies are obligated to perform first for their shareholders, a key reason that a standard of performance for consumers needs to be adopted.

As consumers we have a right to expect that we are receiving contractually or statutorily required medically necessary care for our premiums, and that no more than a reasonable amount of additional expense goes toward administrative costs. No one can expect that insurers will have no administrative costs in running their programs, but these costs must be reasonable. H.B. 6678 sets a reasonableness standard.

As healthcare costs continue to climb and states become responsible for more of these expenses, the procedures and philosophies governing medical insurers becomes more of a social problem as these costs are passed on to every citizen. Many states are taking steps to curb excessive administrative costs and profits. New Jersey implemented a minimum loss ratio requirement statute over 10 years ago with tens of millions of dollars in excess premiums refunded to policy holders annually. The U.S. General Accounting Office reported that federal loss ratio standards have resulted in significant decreases in excessive premium charges for Medigap plans. Instead of maximizing profits, insurers instead had to maximize efficiency and administration. With more premium dollars available for direct healthcare, additional services may be offered, physicians' reimbursements may increase and premiums may decrease. The data supports the assertion that imposing minimum loss ratios works, so much so that California Governor Schwarzenegger has proposed an eighty-five percent

minimum medical loss ratio this year. This follows years of the California Insurance Commissioner's regulatory diligence on behalf of consumers.

As the committee further shapes Representative McCluskey's concept, it is important to consider all of the elements that may impact an insurer's medical loss ratio and how that information is reported. A clear definition, or at least a consistent use of the phrase "medical loss ratio", will be necessary to ensure accurate comparisons between companies and within companies from year-to-year. That means that the Insurance Department would have to issue clear guidance or regulation. A few questions that will need to be answered include:

1) Should the cost of administering subcontracted services be counted as part of the medical loss?

We would argue that the cost of subcontracting a service also contains an element of administrative expense, not just medical expense. Counting the total amount paid to the subcontractor as a medical cost artificially inflates the medical loss ratio -- making it look like more money has been spent on direct care. (An example -- Company A subcontracts its mental health services to Company C and pays Company C \$ 5.00 per member per month to administer the subcontract and pay providers. In our view Company A could only count what is actually paid to mental health providers, through this subcontract, as medical cost. The portion of the \$ 5.00 that Company C uses for their administrative cost, should be reflected in Company A's report to the Insurance Commissioner as non-medical.)

2) Would individual medical loss ratios be grouped with an insurer's group plans?

This is relevant since historically, medical loss ratios for individual plans tend to be much lower. They should be reported separately.

Connecticut Insurance Department data over the last five years shows self-reported medical loss ratios all over the map (they are attached to my testimony for your review). As a result, it's difficult to draw any concrete conclusions on where our premium dollars are being spent. In some cases, the ratios are declining into the mid-seventy percent range, or lower. Most of the insurers, including the HMOs, have never consistently reported a medical loss ratio in the mid eighty percent range, but the standard is clearly reachable since the companies have reached that target at least once. Since the insurers often state or report that their medical loss ratios are in the mid-eighty percent range, they should not have any concerns about this bill requiring the same, and should feel confident that the requirement of a specific medical loss ratio will drive their businesses to be more efficient, cut down on unnecessary administrative costs and maximize the percent of their premiums that fund obligatory medical services.

This bill drives home accountability on the insurer side of the equation. I urge your support and ultimate adoption. Thank you.

2005 MEDICAL LOSS RATIOS

Carrier	MCO Type	2005 Loss Ratio
Aetna Health, Inc. of CT	HMO	83.40%
Aetna Life Insurance Company	IND	76.64%
Alta Health & Life Insurance Company	IND	47.00%
American Republic Insurance Company	IND	68.50%
Anthem Blue Cross & Blue Shield of CT, Inc.	HMO	79.89%
Anthem Blue Cross & Blue Shield of CT, Inc.	IND	79.59%
Celtic Insurance Company	IND	58.00%
CIGNA HealthCare of CT, Inc.	HMO	86.66%
ConnectiCare Insurance Co. Inc.	IND	65.40%
ConnectiCare, Inc.	HMO	80.30%
Connecticut General Life Insurance Company	IND	88.20%
Genworth Life & Health Insurance Company	IND	26.00%
Golden Rule Insurance Company	IND	64.80%
Guardian Life Insurance Company of America	IND	90.50%
Health Net Insurance of CT, Inc.	IND	62.22%
Health Net of Connecticut, Inc.	HMO	76.85%
John Alden Life Insurance Company	IND	69.37%
Oxford Health Insurance, Inc.	IND	80.12%
Oxford Health Plans (CT), Inc.	HMO	77.40%
Time Insurance Company	IND	50.70%
Trustmark Insurance Company	IND	44.80%
Trustmark Life Insurance Company	IND	74.00%
UNICARE Life & Health Insurance Company	IND	75.90%
Union Security Insurance Company	IND	48.28%
United HealthCare Insurance Company	IND	85.70%

These numbers are reported annually within the Managed Care Report Card pursuant to §38a-478c of C.G.S. These numbers are not audited.

2004 Medical Loss Ratio

Carrier	MCO Type	2004 Loss Ratio
Aetna Health, Inc.	hmo	81.37%
Aetna Life Insurance Company	ind	72.66%
Alta Health & Life Insurance Company	ind	0.17%
American Republic Insurance Company	ind	62.90%
Anthem Blue Cross & Blue Shield of CT, Inc.	hmo	76.54%
Anthem Blue Cross & Blue Shield of CT, Inc.	ind	83.26%
Celtic Insurance Company	ind	63.00%
CIGNA HealthCare of CT., Inc.	hmo	87.50%
ConnectiCare, Inc.	hmo	81.60%
Connecticut General Life Insurance Company	ind	102.08%
Fortis Benefits Insurance Company	ind	78.13%
Fortis Insurance Company	ind	41.16%
GE Group Life Assurance Company	ind	82%
Golden Rule Insurance Company	ind	66%
Guardian Life Insurance Company of America	ind	76.50%
Health Net Insurance of CT, Inc.	ind	76.64%
Health Net of Connecticut, Inc.	hmo	86.45%
John Alden Life Insurance Company	ind	65.74%
Mutual of Omaha Insurance Company	ind	0.00%
New England Life Insurance Company	ind	66.40%
Oxford Health Insurance, Inc.	ind	84.20%
Oxford Health Plans (CT), Inc.	hmo	82.10%
Protective Life Insurance Company	ind	66.40%
The United States Life Insurance Company in the City of New York	ind	204.00%
Trustmark Insurance Company	ind	105.45%
UNICARE Life & Health Insurance Company	ind	65.70%
United HealthCare Insurance Company	ind	82.90%

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2003 Medical Loss Ratio

Carrier	MCO Type	2003 Loss Ratio
Aetna Health, Inc.	hmo	72.80%
Aetna Life Insurance Company	ind	73.52%
Alta Health & Life Insurance Company	ind	96.00%
American Republic Insurance Company	ind	69.60%
Anthem Blue Cross & Blue Shield of CT, Inc.	hmo	78.70%
Anthem Blue Cross & Blue Shield of CT, Inc.	ind	82.20%
Celtic Insurance Company	ind	66.50%
CIGNA HealthCare of CT, Inc.	hmo	84.70%
ConnectiCare, Inc.	hmo	80.90%
Connecticut General Life Insurance Company	ind	100.27%
First Allmerica Financial Life Insurance Company	ind	75.40%
Fortis Benefits Insurance Company	ind	33.40%
Fortis Insurance Company	ind	33.40%
GE Group Life Assurance Company	ind	73.00%
Golden Rule Insurance Company	ind	64.80%
Guardian Life Insurance Company of America	ind	75.55%
Health Net Insurance of CT, Inc.	ind	144.64%
Health Net of Connecticut, Inc.	hmo	84.19%
John Alden Life Insurance Company	ind	61.40%
Mutual of Omaha Insurance Company	ind	0.00%
New England Life Insurance Company	ind	127.00%
Oxford Health Insurance, Inc.	ind	79.69%
Oxford Health Plans (CT), Inc.	hmo	82.99%
Protective Life Insurance Company	ind	57.00%
The United States Life Insurance Company in the City of New York	ind	204.00%
Trustmark Insurance Company	ind	50.50%
UNICARE Life & Health Insurance Company	ind	70.40%
United HealthCare Insurance Company	ind	83.80%

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2002 Medical Loss Ratio

Carrier	MCO Type	2002 Loss Ratio
Aetna Health, Inc.	hmo	75.00%
Aetna Life Insurance Company	ind	86.00%
Alfa Health & Life Insurance Company	ind	59.00%
American Republic Insurance Company	ind	65.00%
Anthem Blue Cross & Blue Shield of CT, Inc.	hmo	83.42%
Anthem Blue Cross & Blue Shield of CT, Inc.	ind	84.64%
Celtic Insurance Company	ind	62.40%
Cigna Healthcare of CT., Inc.	hmo	82.60%
ConnectiCare, Inc.	hmo	79.90%
Connecticut General Life Insurance Company	ind	100.65%
Conseco Medical Insurance Co.	ind	104.90%
First Allmerica Financial Life Insurance Company	ind	131.60%
First Choice Health Plans of CT, Inc.	hmo	178.00%
Fortis Benefits Insurance Co. dba Fortis Health	ind	70.00%
Fortis Insurance Company dba Fortis Health	ind	15.83%
GE Group Life Assurance Company	ind	84.00%
Golden Rule Insurance Co.	ind	65.70%
Guardian Life Insurance Company of America	ind	82.85%
Health Net Insurance of CT, Inc.	ind	42.58%
Health Net of CT., Inc.	hmo	86.90%
John Alden Life Insurance Co.	ind	59.40%
Medspan Health Options, Inc.	hmo	89.40%
Mutual of Omaha Insurance Company	ind	65.00%
National Health Insurance Co.	ind	0.00%
New England Life Insurance Co.	ind	76.00%
Oxford Health Insurance, Inc.	ind	79.21%
Oxford Health Plans (CT), Inc.	hmo	78.90%
Protective Life Insurance Company	ind	57.00%
The United States Life Insurance Company in the City of New York	ind	154.00%
Trustmark Insurance Company	ind	84.69%
UNICARE Life & Health Insurance Company	ind	80.00%
United HealthCare Insurance Co.	ind	90.00%

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2001 Medical Loss Ratio

Carrier	MCO Type	2001 Loss Ratio
Aetna Life Insurance Company	ind	86.40%
Aetna U.S. Healthcare, Inc.	hmo	88.54%
Alta Health & Life Insurance Company	ind	78.10%
American Republic Insurance Company	ind	57.00%
Anthem Blue Cross & Blue Shield of CT, Inc.	hmo	80.94%
Anthem Blue Cross & Blue Shield of CT, Inc.	ind	83.40%
Celtic Insurance Company	ind	73.80%
Cigna Healthcare of CT., Inc.	hmo	84.00%
Connecticare, Inc	hmo	81.40%
Connecticut General Life Insurance Company	ind	90.18%
Conseco Medical Insurance Co.	ind	154.80%
First Allmerica Financial Life Insurance Company	ind	87.60%
First Choice Health Plans of CT, Inc.	hmo	90.02%
Fortis Benefits Insurance Co. dba Fortis Health	ind	87.60%
Fortis Insurance Company dba Fortis Health	ind	18.80%
GE Group Life Assurance Company	ind	84.00%
Golden Rule Insurance Co.	ind	68.20%
Guardian Life Insurance Company of America	ind	78.39%
Health Net of Connecticut Inc.	hmo	89.85%
John Alden Life Insurance Co	ind	62.20%
MedSpan Health Options, Inc.	hmo	94.90%
Mutual of Omaha Insurance Company	ind	63.00%
National Health Insurance Co.	ind	6.36%
New England Life Insurance Co.	ind	72.00%
Oxford Health Plans (CT), Inc.	hmo	78.27%
Phoenix Life Insurance Company	ind	26.00%
Protective Life Insurance Company	ind	70.67%
The United States Life Insurance Company in the City of New York	ind	85.00%
Trustmark Insurance Company	ind	61.00%
UNICARE Life & Health Insurance Company	ind	76.40%
United HealthCare Insurance Co.	ind	86.00%

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The following information is provided for your reference:

1. The total number of items is 100.

2. The number of items in each category is as follows:

- Category A: 20 items
- Category B: 30 items
- Category C: 15 items
- Category D: 10 items
- Category E: 5 items
- Category F: 5 items

3. The total number of items in each category is as follows:

- Category A: 20 items
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4. The total number of items in each category is as follows:

- Category A: 20 items
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- Category E: 5 items
- Category F: 5 items

For more information, please contact the relevant department.