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Testimony of Phil Sherwood  
Deputy Director of the Connecticut Citizen Action Group  
Before the Insurance and Real Estate Committee  
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Good afternoon Senator Crisco, Representative Fontana and other members of the Insurance and Real Estate Committee. My name is Phil Sherwood and I am the Deputy Director of the Connecticut Citizen Action Group (CCAG). CCAG has approximately 25,000 members and is currently the state's oldest and largest public interest group.

**CCAG would like to express strong organizational support for SB 46, AAC Transparency of Medical Loss Ratio Information.**

CCAG supports the efforts behind this legislation that aim to increase and provide transparency for consumers by requiring the disclosure of the medical loss ratio of that company or organization. We believe that, in an effort to increase competition and efficiency in the health care system, there be a minimum medical loss ratio established. Setting these standards also guards against wasteful administrative costs and excessive profits, and protects consumers.

Specifically with insurers, it is important that the state set benchmarks that require insurers spend at least, 87.5% of our premium dollars on medical care. Now more than ever, it's vital that the public and policy makers are provided the information that demonstrates how much an insurer is spending on administration, marketing and profit. Setting a minimum medical loss ratio encourages efficiencies and competition; two things sorely needed if we are to control the cost of health care premiums.

Other states require insurers to meet minimum medical loss ratios in the small group, individual, Medicare supplement, long term care markets and HMO's in order to increase the portion of premium dollars that are dedicated to actual medical services.

When an insurer exceeds that minimum medical loss ratio they should be required, at a minimum, to refund policy holders and be subjected to fines from the state. Perhaps more importantly, data has shown that states that have implemented a minimum medical loss ratio have been more successful at controlling premiums.

Ultimately, we may not all come to the same conclusion as to what system would work best to provide quality affordable health care for all, but most can agree that the current system is broken, inefficient and lacks sufficient transparency and accountability.

I would like to thank this committee for taking the time to hear our concerns and thoughts on SB 46 and for considering ways to increase the transparency and efficiency of our health care system.

## Medical Loss Ratio Requirements

	Individual Market	Small Group Market	Other	Statutory Reference
California			Managed care plans: Administrative costs not to be "excessive," limited to 15% to 25% based on developmental phase of plan. Administrative costs do not include some factors such as salaries, stock options, etc.	California Health And Safety Code HSC Section 1378, enforced through Cal. Admin. Code tit. 28, § 1300.78
Delaware		75%		Title 18 Chapter 25 § 2506*
Kentucky	65%	Groups of 2-10: 70% Groups of 11-50: 75%		KRS 304.17A-095(6) <sup>b</sup>
Maine	65%	Insurers that file rates annually: 75% Insurers that file rates every three years: 78%		Individual: Title 24-A, Chapter 33, §2736-C <sup>c</sup> Small group: Title 24-A Chapter 35 §2808-B 2-C <sup>d</sup>
Maryland	60%	75%		Maryland Code § 15-605 <sup>e</sup>
Minnesota	65%	Groups of 2-9: 71% Groups of 10-50: 75%	Large group carriers: 82%	62A.021 <sup>f</sup>
Nevada			Nonprofit corporations: 75% Individual dental insurance: 75%	NRS 695B.170 NRS 686B.125
New Jersey	75%	75%		17B:27A-25
New York	80%	75%		§ 3231(3)(2)(A)
North Dakota	55%	70%		26.1-36-37.2
Oklahoma		60%		36 O.S. 6515
South Dakota	65%	75%		Individual: 58-17-64 <sup>g</sup> Small group: 58-18-63
Vermont	70%		Safety net market: 80%	Title 8 Chapter 107 4080b(C)(m) <sup>h</sup>
Washington	77%			SB 5261 <sup>i</sup>
Wyoming	60%	73%		Individual: Chapter 33 Article 6C §33-6C-1 <sup>j</sup> Small Group: §33-16D-5 <sup>k</sup>

### Table Notes

\* Delaware's statute says that it follows the standards of the National Association of Insurance Commissioners (NAIC) to determine medical loss ratios in the Individual market (<http://delcode.delaware.gov/title18/c025/index.shtml>).

<sup>b</sup> <http://www.lrc.ky.gov/krs/304-17A/095.PDF>

<sup>c</sup> <http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736-C.html>

<sup>d</sup> <http://janus.state.me.us/legis/statutes/24-A/title24-Asec2808-B.html>

<sup>e</sup> <http://www.michle.com/maryland/apext.dll/mdcode/162b2/1736e/17557/1756c>

<sup>f</sup> <https://www.revisor.leg.state.mn.us/bln/getpub.php?type=s&num=62A.021&year=2007>

<sup>g</sup> <http://legis.state.sd.us/statutes/DisplayStatute.aspx?Type=Statute&Statute=58-17-64>

<sup>h</sup> <http://www.leg.state.vt.us/statutes/fullsection.cfm?Title=08&Chapter=107&Section=04080b>

<sup>i</sup> <http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bills/Session%20Law%202008/5261-S.SL.pdf>

<sup>j</sup> <http://www.legis.state.wv.us/wvcode/code.cfm?chap=33&art=6C#06C>

<sup>k</sup> <http://www.legis.state.wv.us/wvcode/code.cfm?chap=33&art=16D&section=WVC%2033%20%20-%2016%20D-%20%20%201%20%20.htm#01>