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Testimony of Richard Sivel, Health Care Organizer  
Council 4 AFSCME  
Before the Insurance and Real Estate Committee, Connecticut General Assembly  
In Support of Senate Bill 46  
“An Act Concerning Transparency of Medical Loss Ratio Information”  
February 5, 2009

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I am here to testify in support of Senate Bill 46 for Council 4 AFSCME, representing more than 37,000 workers in the public service. We strongly support the bill's intent to require health insurers to report to consumers - before they sign on the dotted line - the percentage spent on patients and medical care versus administration and profits.

We also should go farther in this bill to give consumers information to effectively compare plans and get maximum value for their health dollar. This starts with ensuring the legislation includes a better *definition* of “medical loss ratio”. We should limit the insurance industry's ability to mask their costs and game the system by requiring them to accurately report all of their non-medical costs. Some steps we can take are:

- Insurance subcontractor administration costs should be reported as administration, not care.
- Investment and other income should be used to calculate loss ratio, not just premiums, and
- Loss ratios should be provided for each line of business and health benefit plan, not aggregated across all product lines<sup>1</sup>.

This legislation should also go farther to protect consumers, including but not limited to<sup>2</sup>:

- Establishing a minimum medical loss ratio using public insurance as a reference.
- Requiring insurers to provide refunds to consumers if they exceed a minimum threshold<sup>3</sup>.
- Providing much more transparency for consumers and establishing better rules on how the private insurance industry makes coverage decisions, provides services, sets payment rates and provider incentive structures, and
- Making available (non-patient specific) claims and outcomes data.

Setting rules and shedding light on the private insurance industry is important, but we must work hard to provide Connecticut residents with a guaranteed, secure, public health insurance alternative like Traditional Medicare – or, as we've been working on just for Connecticut, open up the State Employee Health Plan – to keep the private insurance companies in check.

All of this information and more should be the public's business. AFSCME has a unique understanding due to our work on state and national health care reform, our seat on the cost containment committee of the State Employee Health Plan (which has medical loss ratios in

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<sup>1</sup> Proposed by Governor Schwarzenegger in California in 2007

<sup>2</sup> Resources: See Families' USA report at <http://www.familiesusa.org/assets/pdfs/medical-loss-ratio.pdf> and Progressive States Network at <http://www.progressivestates.org/policy/issue/114>

<sup>3</sup> States such as Maine, New Jersey and New York do this

excess of 90 percent and had a zero percent cost increase last year), and our work to preserve the benefits of municipal health insurance plans.

The amount of money spent on care versus profits is no secret in public insurance plans which are free from private insurer middlemen. This includes many plans in Connecticut, such as self-insured municipal plans and Medicare. Medicare administration costs are 3 to 5 percent versus an average 30 percent or higher for private industry. If publicly-regulated health plans can function openly, so can and should the private plans.

Connecticut legislators and Congress are readying to guarantee affordable, quality health care for all residents in this state and across America. The insurance industry is gearing up to oppose this effort and fight what is right at every turn. SB 46 will help people now and show them the better choices they can have under health care reform – including a choice of a public health insurance plan. The insurers should be required to compete with the public insurance plans on a level playing field, and prove to us that their real motto isn't "All Premiums, No Care."

Private plans will continue to wrongly deny claims, penalize pre-existing conditions, avoid risk and shift costs with little accountability unless we disincentivize this behavior. Bill such as SB 46 won't fix the industry, but will provide important information as a meaningful step in this process. Thank you.