



**STATE OF CONNECTICUT**  
*INSURANCE DEPARTMENT*

**Testimony of the Connecticut Insurance Department**

**Before**  
**The Public Health, Insurance and Real Estate and Human Services**  
**Committees**

**Monday, March 2nd, 2009**

**Raised Bill 1022--An Act Concerning Guaranteed Issue for Individual Health Plans**

The Insurance Department opposes Raised Bill 1022--An Act Concerning Guaranteed Issue for Individual Health Plans and would like to provide information on the current marketplace and the potential impact of this bill.

The Health Insurance Portability and Accountability Act of 1996 required all states to adopt a guaranteed issue option in the individual market. Connecticut adopted a mechanism that utilizes the Health Reinsurance Association to provide a guaranteed issue offering in the individual market. Connecticut chose that route because states that opted to require individual carriers to make plans available on a guaranteed issue basis found that their markets became drastically diminished. If this bill goes forward and carriers are required to make all individual health insurance available on a guaranteed issue basis, there is likelihood that carriers will drop out of the marketplace as has been evidenced in the past in other states, which makes access to health insurance more difficult for Connecticut residents. This seems contrary to the state's attempts to increase the number of those who have health insurance. Connecticut still has a fairly competitive market with eight companies actively marketing products. Less competition not only impacts premium rates for Connecticut residents, but also lessens the available product choices for consumers.

It is also important to understand that in a competitive market a guaranteed issue requirement will cause premium rates for policyholders to increase and will cause unintended consequences. Because companies will be prohibited from underwriting their risks, the addition of less healthy lives into a carrier's experience pool can be expected to increase claim costs that are the basis for the premium rates. Some existing policyholders may find higher rates unaffordable and could be forced to drop their coverage.

The Insurance Department would like to call the Committee's attention to some recent published materials which demonstrate some of the concerns we have outlined above.

In a Hartford Courant article from August 19, 2008 by Diane Levick, it indicates that Milliman, an actuarial and consulting firm, looked at 8 states with guaranteed issue and community rating laws adopted in the 1990s and found enrollment in individual insurance tended to decrease and premium rates to increase. The Courant article goes on to indicate that the Milliman study did not observe any significant decreases in the level of uninsured persons following enactment of these market reforms.

Milliman on its website under "Healthcare Reform '08- be careful what guarantees you ask for"- indicates that New York has a guaranteed issue requirement, only permits a relatively weak pre-existing clause, and does not allow carriers to vary rates by age and gender. Milliman indicates that subsequently New York's rates are perhaps the highest in the country and many individual medical insurance carriers have pulled out of the state.

In addition to the possible significant downsides to requiring all individual health insurers to offer guarantee issue, we would like to indicate what plans are currently available, for individuals with existing medical conditions. HRA not only offers the guaranteed issue product noted earlier in the commercial market, but also offers a special health care plan to low income individuals on a guaranteed issue basis. There are also the Charter Oak Health Plan and HUSKY plan, public programs through the Department of Social Services. The Charter Oak Health Plan is a guaranteed issue product for individuals aged 19 to 64. The HUSKY plan is available primarily to children, but may provide some coverage for parents. Lastly, individuals who have recently been laid off from their employment may be eligible for a 65% subsidy on their COBRA premiums, for up to 9 months, under the new federal stimulus package recently enacted. COBRA allows the individual to continue their former group health insurance coverage.

Thank you for the opportunity to comment on this initiative and the Department would be happy to work with the committee and provide additional information.