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Insurance and Real Estate Committee Public Hearing
Thursday, February 25, 2010

Testimony of State Representative Jim Shapiro in Support of SB 194 AN ACT CONCERNING RATE APPROVALS FOR INDIVIDUAL HEALTH INSURANCE POLICIES

Representative Fontana, Senator Crisco, Members of the Insurance and Real Estate Committee, for the record my name is Jim Shapiro, State Representative for the 144th District in Stamford. First let me thank the committee for raising this bill and providing me the opportunity to speak here today.

I know many of you have been studying the intricacies of health care policy for many years now, but my entry into this realm occurred in a simpler fashion. I had a constituent who came to me with a problem. And, as everyone on this Committee has done many times, I sat down with this person, had a cup of coffee, and listened. He told me his insurance rates had gone up astronomically in the past several years, both he and his wife had pre-existing conditions so they couldn't go out and shop for a new insurer, and he didn't know if he could keep paying these kinds of increases. It is an all too familiar story, but when you're sitting there with a worried constituent, it loses none of its force for having been told before.

He handed me a list of his year-over-year premium increases, and it painted a stark picture. I wondered whether his situation with his insurer was atypical, or whether a situation this bad was playing itself out all across our state. So, I requested the now well-traveled OLR report concerning our state's five largest insurers and their requested and received rate increases over the past few years. Given all we know about rising insurance rates and costs I was expecting it to be a bit grim. Even I was shocked by what I read:

- 22 of 26 rate increase requests were granted wholesale by the Department
- The other four only revised downward slightly
- For some insurers the Department granted rate increases 100% of the time
- One insurer's Individual Plans went up 53.7% over the brief period studied, another was 52.6%

Anyone looking at this Report had to think: If this is what adequately protecting the consumer looks like, I'd hate to see what *inadequately* protecting the consumer looks like.

I also wondered if perhaps the Department needed new tools to deal with the situation, and whether our legislative standards *"not excessive or unfairly discriminatory"* were insufficient and too ill-defined to provide them with much help in the fight to protect our residents.

While the Commissioner has said publicly, and privately, that he has all the tools he needs, I would respectfully disagree. More importantly, the numbers disagree. 22 of 26 rate increases granted without change, and 4 others only revised slightly downward, say to all of us that we could be doing more on behalf of Connecticut residents. And while the insurers may have used "actuarial science" to arrive at their increase requests, even the Department has said that if you had ten actuaries you could get twelve different numbers. I think all of us in this room could guess that the massive, international, financially sophisticated institutions did not have their actuaries come in with their lowest number.

To be sure, there is a balance that needs to be struck between keeping rates low for consumers and not driving companies out of business so we keep a number of insurance choices for our residents. It is a delicate balance, and I do not fault the Department for trying their best to manage it. But it is clear the pendulum has swung too closely—some would say cozily—to the insurance companies, and too far from our constituents. I am grateful that through this bill, the Insurance Committee is trying to draw the pendulum back.

In particular, I support Section 2 of the bill, which provides for public hearings, notification to policyholders of proposed increases, and a new <u>reasonableness</u> standard to replace the old, and unwieldy (how would one, for example, "fairly" discriminate) standard. It is important in maintaining the balance that the new definition of reasonable includes a fair rate of return for the insurer as measured against its own past performance and that of its peer group.

In addition, another issue the OLR Report highlighted is that in many cases the Department is not required to retain records of the rate approval process for more than two years. As you well know, insurance is a complex, data driven industry. The more historical evidence we have, the better we can judge trends and make decisions about the future. Accordingly, I want to thank Chairmen Fontana and Crisco for including in Section 8(g) my request that we require the Department to maintain records for not less than seven years. If we can require that of our average taxpayer, we can certainly require it of a large government agency.

I think I've read something about the folks in Washington drafting a little bill concerning health insurance. Regardless of what does or does not come off of Capitol Hill, this is something we can do to benefit Connecticut residents right now in a calm, reasonable and bi-partisan manner. I thank the Committee for its attention to this matter and for permitting me this opportunity to present testimony.

With that I would be happy to answer any questions committee members may have.