America's Health Insurance Plans

601 Pennsylvania Avenue, NW
South Building
Suite Five Hundred
Washington, DC 20004

202.778.32
www.ahip.org

RE: Senate Bill 322 – An Act Concerning Long-Term Care Policies under the Connecticut Partnership for Long-Term Care

Chairmen Prague and Serra and Members of the Joint Committee on Aging:

I am Brian Quigley, Regional Director for America's Health Insurance Plans. I am here today to express our opposition to Senate Bill 322, "An Act Concerning Long-Term Care Policies under the Connecticut Partnership for Long-Term Care." and to offer an alternative solution.

Changing the pricing methodology for partnership plans to a community rated premium will be very detrimental to the continued viability of the long term care insurance market in Connecticut. Changing to community rating would increase premium costs, and would not protect policyholders from rate increases; in fact, community rating as a concept runs counter to rate stabilization. A better option would be to adopt the NAIC Long-Term Care Insurance Model Regulation rate stabilization provisions. These provisions were developed to replace the loss ratio standard and improve rate stability in the long-term care market by applying more rigorous requirements to the initial rate setting process and subsequent rate increases. Rate stabilization requires greater disclosure to consumers, requires disclosure of a company's rate increase history for the last 10 years, requires the initial premium to be adequate enough to cover anticipated costs under moderately adverse experience and be sustainable for the life of the policy, and subjects rate increase requests to additional review and justification

Community rating is only intended to cover the current year's cost, and essentially pools the expected costs for all potential applicants so that all applicants pay the same initial premium regardless of age, health status or claims history. The effect would be that the rate for a healthy 20 year old would be the same as the rate charged to an unhealthy 70 year old. Community rating is not priced to anticipate moderately adverse experience, and certainly is not designed to be sustainable over the life of the policy, as rate stabilization is. Rate stabilization requires the use of issue age rates, which are significantly lower for younger applicants than older ones. If Connecticut required community rating, the product would be unaffordable to younger applicants. If the younger people drop out of the insured pool, this will ultimately make long term care coverage unaffordable even for older people.

Separately, with regard to a statutory mandate that would require insurers discontinuing a line of business in the State of Connecticut to make its best effort to sell the business to another insurer, we would note that it is not always in the policyholders' best interests to sell off a closed block of business. Insurers who discontinue a line of business may do so for a number of reasons, some not even related to the profitability of a line of business. Companies may decide that there is value to selling a closed block of business, but others may decide that they can effectively manage the discontinued business. We believe that this should not be legislated. Due to the complexities involved, the decision to sell a discontinued line of business is best left to the respective insurer to decide. This is true for all lines of business that would be affected by this section.

Brian M. Quigley
Regional Director
America's Health Insurance Plans
860 533 9393