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**TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL AND
HEALTHCARE ADVOCATE KEVIN LEMBO
BEFORE THE INSURANCE AND REAL ESTATE COMMITTEE
FEBRUARY 25, 2010**

We appreciate the opportunity to support Senate Bill 194, An Act Concerning Rate Approvals for Individual Health Insurance Policies.

This proposal requires Insurance Department affirmative approval of individual health insurance products rather than the Department simply not disapproving them within 30 days of filing. Although the Insurance Department has the power to hold a hearing and allow individuals to become parties to the proceeding, this is not standard practice. Few, if any individual insureds are made aware of their insurer filing for increased rates until after new rates have been approved. The overwhelming majority of health insurer rate filings are simply approved as requested.

Until last year, rates for individual health insurance policies were routinely approved as filed -- 22 of the 26 insurer rate requests. And the few that were reduced by the Insurance Department still increased rates by more than 10 percent. See attached, Office of Legislative Research Report (2009-R-0442), *Medical Insurance Rate Increases Requested and Approved in Connecticut*, December 14, 2009.

Last year, Anthem filed rate increases of between 22 and 30 percent for several individual health insurance policies. Even with our intervention -- which was restricted by the Insurance Department -- the Insurance Commissioner approved a crippling 13 to 20 percent increase for Anthem's individual policyholders. The huge increase comes after significant increases the previous year, meaning many of Anthem's individual policyholders have absorbed more than a 25 percent increase in less than two years -- making their health insurance unaffordable and inaccessible.

No facts, no evidence, no financial data justified Anthem's excessive rate increase -- demonstrating that the current de facto "file and use" system of insurance rate review is flawed and failed. The Anthem situation is symptomatic of the need for an overhaul in the rate review process. Individuals and businesses must have power to change the outcome, a voice in the process.

Further, Anthem is not an isolated case. Another large individual health insurer -- Golden Rule, owned by UnitedHealthcare -- has escaped administrative scrutiny of its rates by offering a loss ratio guarantee. Under this loophole, insurance rates can be sky-high as long as its medical loss ratio at the end of the year is at or above its guaranteed loss ratio. We know of at least one occasion where Golden Rule has had to refund money to its policyholders for not reaching the guaranteed loss ratio. This refund did not occur for almost a year, providing Golden Rule with the free use of money owed to consumers for many months. Senate Bill 194 closes this loophole.

As a result of the lack of effective, public regulatory oversight, health insurers -- according to the attached recent Insurance Commissioner report on mandated benefits -- spend between 17% and 24% of each premium dollar on administrative costs and receive another 3% to 10% in profits. Further, Connecticut was also highlighted in a national report on skyrocketing individual health insurance rates.

Specifically, Senate Bill 194:

1. requires insurer notice to all policyholders of a rate submission and the time, date and place of the hearing on such rate request and the impact of the proposed rate on the policyholder, including any adjustments for age;
2. requires the Insurance Commissioner to schedule a hearing within 5 days of a rate submission and post the rate submission on the department website;
3. requires the Insurance Commissioner to approve only rates that are determined to be reasonable and defines reasonable as allowing for a fair rate of return, taking into consideration industry standards;
4. allows the Healthcare Advocate and the Attorney General to appear as parties in any rate filing and authorizes the offices to retain consultants whose costs are paid by the filing insurer, provided the costs shall not exceed \$200,000 per agency if the insurer has 10,000 or more policyholders affected by the rate filing and \$50,000 per agency if the insurer has less than 10,000 policyholders affected by the rate filing;
5. requires the insurer to provide insurance policyholders with 30 days notice from the date of the final rate decision before the new rate goes into effect;
6. requires any insurer who is providing a quote to a prospective policyholder to notify the consumer of a pending rate increase.

Senate Bill 194 requires that regulators really regulate -- assess consumer ability to pay, hold open hearings, provide appeal rights and make rate decisions openly and accountably. Consumers must be empowered to stop chronic, colossal rate hikes.

We urge the committee's favorable consideration of Senate Bill 194.

Location:

INSURANCE - HEALTH;



December 14, 2009

2009-R-0442

**MEDICAL INSURANCE RATE INCREASES REQUESTED AND APPROVED
IN CONNECTICUT**

By: Janet L. Kaminski Leduc, Senior Legislative Attorney

You asked us to identify the five largest health insurance companies or health maintenance organizations (HMOs) in Connecticut. For each one, you asked us to provide you, for the past 10 years, or longest period available up to 10 years, (1) the amount of each rate increase each company requested for its group and individual medical products offered in Connecticut and (2) the amount the Connecticut Insurance Department approved.

SUMMARY

According to the Connecticut Insurance Department, the five largest medical insurance companies or HMOs in Connecticut based on direct premiums earned and enrollment are (1) Anthem Health Plans, Inc. ; (2) Health Net of Connecticut, Inc. ; (3) ConnectiCare, Inc. ; (4) United Healthcare Insurance Company; and (5) Aetna Life Insurance Company.

State law requires insurance companies and HMOs to file rates with the department for individual contracts (i. e. , sold directly to individuals). But it requires only HMOs to file rates for group contracts (e. g. , sold through employers) (CGS §§ 38a-481 and 38a-183). Since the department does not have statutory authority to review insurance company rates for group medical policies, it is not able to provide rate information for such policies.

Additionally, the department is not required to maintain records for 10 years. Rather, it retains HMO records for five years and insurance company records for two years. Thus, these are the time periods for which we are able to provide rate information.

Debra Korta, writing on behalf of the department, noted that:

the Department reviews the rate increase requests in terms of (1) actuarial science, together with (2) applicable statutes which provide that the rates not be excessive, inadequate, or unfairly discriminatory. It is a complicated, thorough process. The Department would be happy to provide more details or make a presentation on the process, if the legislature would find it helpful.

FIVE LARGEST MEDICAL INSURANCE COMPANIES OR HMOS

Table 1: Five Largest Medical Insurers or HMOs in Connecticut

<i>Insurance Company or HMO</i>	<i>Direct Premiums Earned⁽¹⁾</i>	<i>Total Enrollment⁽²⁾</i>	<i>Percent of Business that is Fully Insured⁽³⁾</i>
Anthem Health Plans, Inc.	\$ 2,753,647	1,560,101	38%
Health Net of CT, Inc.	1,128,691	193,433	58%
ConnectiCare, Inc.	810,170	178,909	93%
United Healthcare Ins. Co.	408,028	240,387	46%
Aetna Life Ins. Co.	253,650	271,822	26%

⁽¹⁾ Source: Connecticut Insurance Department's Financial Analysis and Compliance Unit, based on the National Association of Insurance Commissioners' Accident and Health Market Share Report. Direct premiums earned are for contracts issued in Connecticut in 2008.

⁽²⁾ Source: Connecticut Insurance Department, from Consumer Report Card on Health Insurance Carriers in Connecticut, October 2009. Total enrollment numbers reflect both fully-insured and self-insured business.

⁽³⁾ Fully-insured business represents the population that is under the Connecticut Insurance Department's jurisdiction. Self-insured business generally is under the federal government's jurisdiction.

RATE INCREASES REQUESTED AND APPROVED

The information in the following tables is from the Connecticut Insurance Department. Where information is available, the amounts shown represent the average rate increase requested and approved across all medical plans in each company's individual and group portfolios, as applicable. Where information is not available, we indicate as such and the reason.

Anthem Health Plans Inc.

Table 2: Rate Increases Requested by and Approved for Anthem Health Plans, Inc.

<i>Year</i>	<i>Individual Plans</i>		<i>Group Plans</i>	
	<i>Requested</i>	<i>Approved</i>	<i>Requested</i>	<i>Approved</i>
2010	23.55%	16.50%	15.78%	12.88%
2009	10.80%	8.80%	12.10%	12.10%
2008	10.68%	10.68%	10.90%	10.90%
2007	7.55%	7.55%	7.82%	7.82%
2006	10.14%	10.14%	9.50%	9.50%

Health Net of Connecticut, Inc.

Table 3: Rate Increases Requested by and Approved for Health Net of Connecticut, Inc. ⁽¹⁾

<i>Year</i>	<i>Group Plans</i>	
	<i>Requested</i>	<i>Approved</i>
2010	19.09%	19.09%
2009	13.11%	13.11%
2008	11.92%	11.92%
2007	10.61%	10.61%
2006	10.90%	10.90%

^[1] Health Net does not write individual business.

ConnectiCare, Inc.

Table 4: Rate Increases Requested by and Approved for ConnectiCare, Inc.

Year	Individual Plans		Group Plans	
	Requested	Approved	Requested	Approved
2010	16.20%	11.80%	14.50%	14.50%
2009	17.30%	17.30%	10.20%	10.20%
2008	15.60%	15.60%	11.50%	11.50%
2007	7.90%	7.90%	9.50%	9.50%
2006 ^[1]	n/a	n/a	12.50%	12.50%

^[1] ConnectiCare did not issue individual plans in 2006.

United Healthcare Insurance Company

United Healthcare does not write individual health insurance in Connecticut. While it does write group health insurance here, the insurance department does not have statutory rate review authority over this business.

Aetna Life Insurance Company

Table 5: Rate Increases Requested by and Approved for Aetna Life Insurance Company^[1]

Year	Individual Plans	
	Requested	Approved
2010 ^[2]	n/a	n/a
2009	12.00%	12.00%
2008	16.50%	16.50%

^[1] The insurance department does not have statutory rate review authority over Aetna's group health insurance business.

^[2] Aetna's rates are effective July 1 of each year. The company has not yet submitted a July 2010 rate filing.

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