



STATE OF CONNECTICUT  
INSURANCE DEPARTMENT

Oral Testimony of  
Mary Ellen Breault, Life and Health Director at the Connecticut Insurance Department

Before  
The Insurance and Real Estate Committee

March 8, 2011

HB No. 6511--An Act Concerning Small Group Health Insurance Rate Reviews

HB 6511—An Act Concerning Small Group Health Insurance Rate Reviews has been raised at the request of the Connecticut Insurance Department. The Department would like to thank the Co-Chairmen of the Insurance and Real Estate Committee for raising this bill on our behalf. My name is Mary Ellen Breault and I am the Life and Health Director at the Connecticut Insurance Department.

The U.S. Department of Health and Human Services (HHS) has recently released a regulation under the Patient Protection and Affordable Care Act on disclosure and review requirements for health insurance rate increases. The regulation sets up a process to determine if filed rate increases by health insurers and HMOs are unreasonable, but limits such review to individual and small group health insurance products. The regulation establishes that the review is completed by the state if the state has statutory authority to review the rates and is deemed by HHS to have an effective rate review program. If these conditions are not met, HHS would complete the review.

HHS has cited Connecticut as having an effective rate review program as evidenced by the rejection of Anthem's most recent individual rate increase request. The stated requirements in the HHS regulation match up quite closely to Bulletin HC-81 released last October by the Insurance Department that outlines the submission requirements for health insurance rate filings. (See Attached Bulletin)

The Insurance Department currently has statutory authority to review for prior approval all individual rates and small group rates for health care centers more commonly referred to as HMOs. The Insurance Department does not, however, have statutory authority to review rates for indemnity carriers that offer plans in the small employer market. Approximately 70% of the carriers currently active in the small employer market in Connecticut are indemnity carriers. Without a statutory change, HHS, not the Insurance Department would review the indemnity carriers' rates to determine if they are unreasonable.

The Insurance Department seeks authority to review indemnity carriers' rates for prior approval for small employer health insurance plans. This bill if enacted would establish complete state authority over the determination of unreasonable rate increases in Connecticut.

Thank you for raising this bill and for providing the Department an opportunity to comment. The Department looks forward to working with the Committee on this issue.



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

BULLETIN HC-81  
OCTOBER 7, 2010

**TO:** ALL INSURANCE COMPANIES, FRATERNAL BENEFIT SOCIETIES, HOSPITAL SERVICE CORPORATIONS, MEDICAL SERVICE CORPORATIONS AND HEALTH CARE CENTERS THAT DELIVER OR ISSUE INDIVIDUAL AND GROUP HEALTH INSURANCE POLICIES IN CONNECTICUT

**SUBJECT:** HEALTH INSURANCE RATE FILING SUBMISSION GUIDELINES

The purpose of this bulletin is to identify requirements for all rate filing submissions made to the Insurance Department whether the filing is made via paper or SERFF. These requirements apply to all rate filing submissions made pursuant to sections 38a-183, 38a-208, 38a-218 and 38a-481 of the Connecticut General Statutes. In addition, these requirements will also apply to rate filings that must be submitted with the filing of unreasonable premium increases pursuant to the Patient Protection and Affordable Care Act. A rate filing must accompany the form approved by the Department of Health and Human Services to report unreasonable rate increases and will serve as the basis to determine if the unreasonable rates are justified. While multiple market segments can be filed in one rate filing submission, the Department requests that the carrier include separate filings for each market segment (individual, small group and large group) that comply with the following information to assist the Department in its actuarial review:

- A cover letter describing all policy forms affected by the requested increase as well as the effective date of the requested increase.
- Historical experience from inception-to-date, this includes earned premium, paid claims, incurred claims, members, actual loss ratios and expected loss ratios (annual experience is appropriate for all years; monthly experience for the most recent two years).
- A demonstration that the experience data submitted is consistent with the most recent financial statement filed with the Department pursuant to section 38a-53a of the Connecticut General Statutes.
- Unit cost trend by broad service category, including actual unit cost data and impact of provider contract changes from experience period to rating period (medical and prescription drug separately).
- Utilization trend by broad service category, including utilization data.
- Impact of cost sharing leverage on trend.
- Medical technology trend.
- Benefit buy-down analysis and impact on trend
- Cost of each new benefit mandate or requirement due to change in law, separately identified, from the experience period to the rating period. This includes requirements of both state and federal law.

- A list of each component of the health care reform bill that impacted premium and the actual impact used in pricing for each component
- A comparison of the proposed retention charge in the filing to the most recently filed statutory financial statement for the regulated entity for which this filing is being made
- Claim lag triangles
- A demonstration that the increase requested in this rate filing will generate an expected medical loss ratio, for rebate purposes, that is consistent with the 80% prescribed by the federal law for individual health insurance and small group or 85% for large group, whichever applies to this rate filing.
- Actuarial certification signed by a Member of the American Academy of Actuaries (MAAA).
- Any additional information the Commissioner deems necessary for the review of rates.

In addition, every rate filing submission that includes an increase of previously approved rates shall include a summary of the rate increases requested and should be clearly marked as Appendix A. The appendix should include the following, but not be limited to:

- The requested increase for each product contained within the rate filing. The requested increase for each product should be identified as a specific percent increase or if appropriate a range of percent increases with an explanation of what the variance is that produces the range.
- Each component of the increase including trend, experience adjustments and any other factors that make up the requested increase. These can be identified as a specific percent or if appropriate a percent range.
- A footnote listing any other factors that can have an impact on premium rates that have not been specifically identified in the appendix, including but not limited to age bands, gender, geographic area, smoking, etc.

### Transparency

It has been the practice for insurance companies, fraternal benefit societies, hospital service corporations, medical service corporations and health care centers to claim trade secret exemptions under the Connecticut Freedom of Information Act ("FOIA") and request that the Department hold all rate and subscriber fee filings as confidential information not available to the public. Pursuant to Conn. Gen. Stat. §1-210(b)(5)(B), FOIA does not provide for an exemption for commercial or financial information which is required by statute. The information identified above as being required to enable the Department to fulfill its statutory rate review requirement is considered to be information required by statute and therefore, the Department will not grant any requests to hold these filings as confidential. As soon as the technical revisions to the Department website are completed, all filings will be posted on the Department website and available for review by the public. In addition, all communications between the filing entity and the Department will be documented and included in the website postings.

The technical revisions to the website will also include capabilities for the public to comment on the rate and subscriber fee requests. Those public comments will be reviewed by the Department and considered as an additional element of the prior review determination.

Questions

Please contact the Insurance Department Life and Health Division at [cid.lh@ct.gov](mailto:cid.lh@ct.gov) with any questions.

A handwritten signature in black ink, appearing to read "Thomas R. Sullivan", written over a horizontal line.

Thomas R. Sullivan  
Insurance Commissioner