Connecticut State Medical Society

Connecticut State Medical Society Testimony on
Senate Bill 318 An Act Concerning Rate Approvals for Individual Health Insurance Policies
Insurance And Real Estate Committee
February 8, 2011

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, my name is Matthew Katz and I am the executive vice president of the Connecticut State Medical Society (CSMS). On behalf of our more than 7,000 physician and physician-in-training members, thank you for the opportunity to present this testimony today in strong support of Senate Bill 318 An Act Concerning Health Insurance Rate Increase Requests.

The legislation before you is one of many proposed bills this session that attempt to establish meaningful and appropriate requirements for the filing and hearing of potential health insurance rate hikes and speak to the need for greater transparency and public scrutiny of rate requests and approvals.

Last session, I had the opportunity to testify before this committee on similar legislation and then, I stressed the need for this reform. During that testimony, I pointed out that U.S. Health and Human Services Secretary Kathleen Sebelius has highlighted in several speeches and publications the 24% rate hike requested by Anthem on individual health plans in Connecticut last year. The secretary said that these insurers are making families suffer, and the premium increases are not justified by higher medical expenses. According to Sebelius, "In 2009 alone, at a time when we saw a huge economic downturn, we had insurers, these top 5 insurers (WellPoint, Cigna, UnitedHealth Group Inc., Aetna Inc. and Humana Inc,) who had $12.2 billion in profit. So to suggest that this is entirely in line with even healthcare costs which clearly still are exceeding typical inflation costs – these profits are wildly excessive."

2010 was no different than 2009 and health insurers continued to see increased profits while rates went up even further for most who received their health insurance through the commercial market in Connecticut.

Unfortunately, in 2010, Anthem of Connecticut was granted an increase of nearly 50% for its group health line with no public scrutiny or hearing by the Connecticut Insurance Department (CID). In addition, Anthem requested a nearly 20% increase for individual plans in late 2010. The CID did utilize its authority to call a public hearing and implement a process that included evaluation of certain information filed with the department, after which it was determined that the increase was, in fact, excessive and was not warranted. However, the review process itself was conducted for only the second time associated with a rate request because the present statutes provide too much flexibility to the CID and not enough standardization of public review. Ironically, although CSMS filed a petition for intervenor status, the physicians of Connecticut were denied direct participation. The physicians who provide care to the patients affected by the rate hike request were limited to serving as witnesses by the Office of the Attorney General because the CID determined that physicians were not directly impacted by health insurer rate filing requests. This ruling came in spite of the fact that the insurer submitted testimony and made public statements that physicians were the cause of needed premium increases.

Should such health insurer increases continue unchecked, employers will either pay these excessive increases and lay off more employees, leading to growing ranks of the unemployed, or they can pass along the costs to their employees who will then have to choose between health care coverage and food on the table. The alternative is that we do something about these disproportionate and egregious rate increases right now, right here in the so-called "insurance capital of the world" by shining the light of public review, scrutiny and actual participation in the review and hearing process.

Too often these insurers attribute the need for such exorbitant hikes on the costs of medical services and physician payments as did Anthem last year. However, we well know that physician reimbursement rates have been at best, stagnant. Only Congressional action has prevented significant reductions to Medicare rates. With most insurers using Medicare rates as a baseline at which to set their own physician reimbursement rates, history suggests further cuts for physicians are likely to follow. Of course, there is no talk about health insurance premium cuts of equal proportion. We hear of medical costs as a percentage of premium, and we hear about reinsurance cycles and mandates including the reasonable protections included in the Patient Protection and Accountable Care Act (PPACA), however, as proven by last summer's hearing process, the numbers never seem to add up. In fact, has any insurer provided a clear explanation as to why in one calendar year rates would go up 20 or even 30 percent? Yes, we hear about medical costs as a percentage of premium, but can all this be attributed to more medical care, better medical care or better benefit packages? Furthermore, when regulators in this state continually rubber-stamp health insurer mergers and acquisitions, no one protects consumers. No one asks, much less demands, that the suggested economies of scale that the insurers purport to achieve pass down to employers and employees in the form of premium reductions.

CSMS has consistently called for transparency in all aspects of the health insurance industry. Consumers and employees should know and understand how their premium dollars are being spent -- what portion is going directly to their medical care and what portion is going to the profit centers of the health insurers. A hearing process that formally includes patient advocates, physicians and other health care professionals and providers, as well as the Attorney General and Health Care Advocate, will ensure that the proper questions are asked and that they are answered by health insurers in a public forum prior to the approval of yet another unreasonable hike in health insurance rates.