



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

FTR

Testimony of
Connecticut Insurance Department

The Insurance and Real Estate Committee

March 13, 2012

RB No. 5487 An Act Concerning the Recommendations of the Small Business Healthcare Working Group and Claims Information Required to be Provided by Insurers

The Connecticut Insurance Department has reviewed RB No. 5487--An Act Concerning the Recommendations of the Small Business Healthcare Working Group and Claims Information Required to be Provided by Insurers and has the following technical comments.

The Patient Protection and Affordable Care Act (PPACA) limit rating adjustments in the small employer market beginning January 1, 2014. The federal law limits age bands to a ratio of 3:1. The Insurance Department's actuary estimated that the impact of this change in the first year could result in an increase of 75% to the premium at the youngest ages, and a decrease in premium up to 12.5% at the older ages.

RB 5487, on the other hand, proposes no allowance for age adjustments on or after July 1, 2013. The impact of this in the first year could be as much of an increase of 250% in premium at the youngest ages, and a premium decrease up to 42% at the older ages. The committee may want to consider grading this adjustment over time so as not to cause such volatile rate swings all at once. This will further inhibit the youngest, healthiest lives from purchasing insurance.

The Department of Health and Human Services issued a final rule on September 6, 2011, (45 CFR Part 154 Rate Increase Disclosure and Review: Definitions of "Individual Market" and "Small Group Market") that addresses how association plans are defined for purposes of rate review. This rule states that coverage that would be regulated as small group market coverage if it were not sold through an association is subject to rate review as small group market coverage.

Effective January 1, 2014, the PPACA requires that premiums for all small employer plans may only vary by age, tobacco, geographic area and family composition. Any small employer plans that are part of an association would be part of this requirement under the federal law and regulations. The Insurance Department wanted to make sure the committee was aware of the federal requirements that will pre-empt or supersede the exceptions allowed under state law for association plans with small employers.