



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

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Testimony of
Connecticut Insurance Department

The Insurance and Real Estate Committee

March 1, 2012

RB No. 204--An Act Concerning the State Medical Loss Ratio

The Connecticut Insurance Department submits this testimony in opposition to Raised Bill 204 - An Act Concerning the State Medical Loss Ratio. The Patient Protection and Affordable Care Act (PPACA) already defines a federal minimum loss ratio standard and rebate process for both the individual and small group insurance markets. This bill sets up a different state definition of minimum loss ratio and a separate state process for rebates to consumers.

Such process could require carriers to pay both state and federally based rebates for the same products. Requiring double rebates could cause the ultimate premiums received by the carrier to be inadequate and potentially threaten a company's solvency.

The insurance industry is an important part of the Connecticut economy. At a time when the state is hoping to expand this industry, the added administrative burdens this bill imposes could severely disrupt this marketplace. Unlike many states that have only one or two carriers in the individual or small group markets, Connecticut currently has seven individual carriers and seventeen small group carriers' actively marketing products. Layering additional and differing state requirements onto those already imposed by the federal health care reform law may ultimately harm consumers with increased administrative costs and fewer options if carriers choose to exit these markets. Having multiple loss ratio calculations and rebate processes could also cause considerable confusion to consumers who are already struggling to understand the changes brought about by the federal health care reform.

The proposed language requires each policy issued to comply with the loss ratio requirement. It is unclear if this is intended to require such calculation for each policy sold based on the actual claims experience of the specific individual or group rather than for an entire block of business or market segment. If the intent is that the calculation be based on each specific individual or small group policy, this approach would undermine the pooling principle of insurance and again is different from, and inconsistent with, the federal process.

There could be a fiscal impact to the Insurance Department as additional staff would be needed to do the actuarial reviews of the loss ratio and rebate calculations. Increased inquiries or consumer complaints would likely necessitate additional staff for the Consumer Affairs Division and possibly the Market Conduct Division.

This bill also adds duplicative fines if carriers fail to file information required for the consumer report card. Connecticut General Statute §38a-478b currently imposes a fine of \$100 per day for a carrier's failure to file required data and reports including data for the consumer report card. This bill in section 1 provides a new additional fine of \$1,000 to \$10,000 per day.

Thank you for the opportunity for the Insurance Department to provide comment. As always, the Department stands ready to work with the Committee on this issue.