

**TESTIMONY BEFORE THE
INSURANCE AND REAL ESTATE COMMITTEE
LEGISLATIVE OFFICE BUILDING
JANUARY 31, 2013**

My name is Jennifer Herz and I am Assistant Counsel for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing less than 50 people.

I am before you today to speak to **Proposed S.B 117 An Act Limiting Increases in Health Insurance Premiums Based on Age Band Adjustments**. I believe existing state and federal laws as well as regulations current proposed by the Department of Health and Human Services already address premium increases and further regulation is not necessary.

Age Slope is Prescribed by the ACA

The Department of Health and Human Services recently issued proposed regulations under the Affordable Care Act (ACA) that address age band adjustments and as currently written will implement one year age band increments.

Pursuant to the ACA, rating factors will be limited to (i) self/family enrollment, (ii) geographic area, (iii) tobacco use and (iv) age. And further, under the proposed federal regulations age bands will be regulated industry wide in single age band increments. Meaning, insurance carriers will no longer determine age-rating factors and will all work off of the same federally mandated age band slope. Therefore, the proposed federal regulations will, if adopted, eliminate insurance carriers' ability to adjust age bands and will be under the control of applicable federal regulators.

To expand on the topic of rate increases, here are a few examples of how premiums in 2014 will be regulated not only by existing state review but also under the ACA and therefore further regulation is counterproductive.

Department of Insurance Rate Review and ACA Rate Review Program

Prior to offering rates to the public the Connecticut Department of Insurance reviews rates of insurers doing business in the state. The Department and its actuarial staff review rates by examining detailed information submitted by insurers. In contrast, this proposed bill would arbitrarily cap rates without studying applicable information. It's no secret the insurance system is facing significant change and challenge in the coming years and setting rate policy without detailed review of individual factors does not support the intent of the ACA.

To that point, the ACA mandates a Rate Review Program that requires insurance companies seeking to increase premium rates by more than 10% in the individual and small group market submit the need for such for review by experts.

Adjusted Community Rating is Prescribed by the ACA

New rating rules, under the ACA, require insurers to condense existing rating variation to 3:1. Connecticut currently allows a variation of 5:1. This means that the highest rate and the lowest rate cannot vary by a factor of more than 3 to 1. This proposed bill would result in cost shifting from one group to another as opposed to reducing costs across the board.

Medical Loss Ratio Prescribed by ACA

Finally, it is important to remember that the ACA also requires insurers to abide by new Medical Loss Ratio requirements, known as MLR. What this means is that insurers are required to cap the administrative costs of running their business at a specific percentage, in part, to ensure consumer's premiums are going towards their medical treatment and not administrative costs of the business. This serves as yet another safeguard against baseless increases in premium.

Conclusion

Since existing state and federal requirements address increases in health insurance premiums and proposed federal regulations would require single age band increments it is not necessary to further regulate instances of health insurance premium increases.

Thank you for the opportunity to offer CBIA's comments.