



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance And Real Estate Committee

Tuesday, February 26, 2013

Raised S.B. No. 957: AN ACT ESTABLISHING A HEALTH INSURANCE ADVISORY COUNCIL.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to provide written testimony on S.B. 957: AA Establishing A Health Insurance Advisory Council.

S.B. 957 would create a council for the purposes of ensuring affordable health insurance in this state by examining the effectiveness of the Connecticut Insurance Departments (CID) rate review processes. The Department soundly rejects the premise that additional oversight is needed and asks the Committee to reject this legislation.

Connecticut already has a very cost-effective, efficient and transparent method for reviewing rates. The federal government has reviewed the CID's rate review process and deemed it to be effective. Furthermore the federal government has reviewed the CID's enforcement authority over the federal Affordable Care Act (ACA) and has deemed the CID to have the necessary authority. As a consequence, one would be hard pressed to identify a legitimate need to develop yet another level of bureaucracy for the purpose of monitoring the CID's capacity to enforce state law and the ACA.

The CID received the designation of "effective rate review" status from the U.S. Department of Health and Human Services because our review process is grounded in sound actuarial practices. The Center for Consumer Information and Insurance Oversight has published proposed regulations on rating factors and methodologies that the council, if established, could not override in methodologies they are tasked with recommending. The issue of affordability is typically a key driver for social insurance programs such as Medicaid and includes means testing. It is unclear whether an affordability adjustment outside of those required by ACA regulations would be permitted. It's worth noting, that the state of Maine was mired in

litigation as a result of its attempt to set aside its actuarial review process for one based on affordability.

If this legislation were enacted, the council would also be tasked with evaluating and making recommendations on the use of risk adjustment and reinsurance with respect to the health insurance market in this state. However, reinsurance and risk adjustments are set by ACA regulations and could not be altered by this council. This council would also have the obligation of evaluating and making recommendations on coordination between the CID, state medical programs and the Connecticut Health Insurance Exchange. Under current law, the CID has no authority over state medical assistance programs.

The council would also be required to monitor and make recommendations regarding consumer share and employer share of premiums. The CID has no authority over employers, as such; the CID could not set standards for employer/employee contributions. Such actions are pre-empted by ERISA. Additionally, the council would also provide input on the CID's adverse selection monitoring. CID regulates the insurance industry and is not involved in sales or enrollment of individuals in insurance, so it is unclear how the CID could monitor adverse selection trends.

The CID acknowledges the importance of affordability. However, the CID's regulatory charge is to first and foremost regulate the insurance industry in a fair and efficient manner which promotes a competitive and financially sound insurance market for consumers. Should the Department regulate based upon anything other than strong actuarial principles it could jeopardize the solvency of insurance companies and leave consumers without meaningful coverage.

The CID rate review process is open and transparent. All actions from initial rate increase requests to the final disposition are posted on the CID website and available for comment. The CID has a strong and effective consumer affairs division and it works collaboratively with other state agencies, advocates and insurers

For these reasons, the CID respectfully recommends that the Committee reject this legislation.