



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

FTR

Testimony of the Connecticut Insurance Department

Before The Insurance and Real Estate Committee

February 24, 2015

Committee Bill No. 9—An Act Concerning the Rate Approval Process for Certain Health Insurance Policies

Committee Bill No. 413—An Act Requiring a Public Hearing for Certain Health Insurance Rate Increase Requests.

Chairmen Crisco and Megna, Ranking Members Kelly and Sampson, and Members of the Committee, the Insurance Department appreciates the opportunity to respectfully provide testimony in opposition to Senate Bill No. 9 and Senate Bill 413.

The U.S. Department of Health and Human Services (HHS) has determined that Connecticut has an effective process that fully conforms to its regulations. In fact, HHS has held Connecticut's existing rate review process out as a model for the rest of the country and our process is currently being replicated in other states.

- HHS issued a statement that it considered the need for public hearings and chose not to require them indicating it considered the hearings to be an unnecessary burden to the insurance regulators and the rate review process.
- The Medical Loss Ratio (MLR) requirements under federal law require that insurance companies refund consumers any amounts that exceed the minimum MLR requirements of 80% for individual and small group and 85% for large group. A testament to the effectiveness of the Department's rate review is that there have been limited rate rebates made by companies reviewed by the Connecticut Insurance Department.

The Department's rate review process is a responsibility we carry out with careful detail and professionalism, using sound and accepted actuarial standards. We are ever mindful of the cost of health insurance and its impact on consumers. In fact, department actuaries traditionally rule in favor of consumers in all instances where there is not clear, strong and abundant actuarial support for a proposed increase. To highlight this point, please see the attached table that identifies carrier rate requests in comparison to those rates ultimately granted by the Department. You'll note that the Department's 2014 rate review process saved Connecticut's insured an estimated \$88,547,630 in premium costs for the 2015 plan year.

Our mission as regulators is one of great balance – protect the individual consumer against the counterweight of ensuring a viable, robust and competitive market from which they can choose. Today, Connecticut enjoys a robust and competitive health insurance market. Unlike other states that have extremely limited choices, Connecticut has eight companies writing individual major medical health insurance.

Connecticut currently has a very cost-effective, efficient and transparent method for reviewing health insurance rates, one that invites and accepts public comment. Much of what is being proposed in these bills is currently in place and has been for some time. Other provisions of these bills could actually cause rates to be increased without adding any additional rigor to the process or could cause insurers to decide

that the rate approval process envisioned in these bills creates an environment which is not cost effective for them to enter or remain in the Connecticut market.

Currently in place are:

- The requirement of actuarial memorandum in addition to rates being reviewed in accordance with the federal laws as provided under the Affordable Care Act and standard actuarial principles;
- The review of each company's rate filing closely. In every rate filing, the Department's actuary reviews the filings closely and conducts continuous discussions with each company in regards to their rate filings and rationale for such, whether or not a hearing is called. This process is completely transparent through the Department's website.
- The Department's on-line rate review process makes public the companies' rate filings and all correspondence between the Department and the insurance carriers. Importantly, any consumer can easily enter comments related to the possible increase for a period of 30 days and our records reflect that the public has regularly exercised its right to comment through this vehicle;
- The publication of a final rate decision and the rationale for the approval, disapproval, or reduction. All of this information is available on-line and through e-alerts. Since 2012, the Department has requested that the health insurance industry notify impacted members, for individual health insurance, and employers or group policy holders for group health insurance, when a rate increase is being sought. This approach reaches the many consumers who do not follow our website or receive e-alerts and lets them know they can offer comments on a proposed rate increase. Consumers are also advised following a rate determination of the proposed rate impact on their renewals.

Senate Bill 9 and 413 would revise the factors considered to determine if the rate is excessive, inadequate or unfairly discriminatory. While these proposal requires rates to be reviewed in accordance with standard actuarial principles, the proposed factors are consistent with neither Actuarial Standards of Practice nor the rate making factors as required by the ACA. Not only is this a concern for conforming with national standards, but it also creates additional cost burdens for insurers who will need to develop unique rate making systems and processes for Connecticut. Those are costs that will be borne by Connecticut insurance consumers and will raise rates rather than reduce them.

In addition to establishing rate factors, HHS has also issued regulations requiring all Exchange and non-Exchange product rate filings be submitted on a common deadline and all rate requests be posted simultaneously to the Department's website no later than 10 days from receipt. These federal regulations also require that all Insurance Department final rate decisions be posted simultaneously to the Insurance Department website in time for the Exchange's open enrollment. Should the Department be required to post Exchange rates prior to non-Exchange rates, it could fall out of federal compliance. Consequently, the Exchange would also suffer from a competitive disadvantage as insurers that sell products exclusively outside of the Exchange will be able to view and undercut in-Exchange products.

Senate Bill 9 would provide for up to 10 rate symposiums a year for filings of ten percent or more or at the request of the Healthcare Advocate (OHA) or the Attorney General. Similarly, Senate Bill 413 would provide for up to 10 rate symposiums a year for filings of twelve percent or more or at the request of the Healthcare Advocate (OHA) or the Attorney General. In addition to the existing statutory right whereby the Department has the discretion to call hearings under section 38a-16 of the Connecticut General Statutes, which has been exercised at appropriate times to ensure adequate rates, the Department reached an agreement with the OHA to hold up to four (4) rate hearings per calendar year at the OHA's request, where the rate increase sought by the health insurer or HMO exceeds 15%. This compromise was reached

in good faith with the OHA's office and legislative leadership in both the House and Senate. The OHA has requested three hearings since that time.

In addition to the questions raised as to the ability to conduct these rate review symposiums within the timing and review constraints established by HHS, we should point out that both Senate Bill 9 and Senate Bill 413 would add significant costs to the rate approval process. To illustrate, last year the Insurance Department held a public hearing on Anthem's individual health insurance rates. The Department kept track of the time expended by Department staff and its Commissioner during the course of the proceeding and concluded that estimated cost just for the employees of the Department was nearly \$25,000. Such cost estimate did not include the costs (salary and fringe benefits) of the participating Healthcare Advocate, the Advocate's staff lawyer and four Assistant Attorney Generals representing the OHA, nor did the cost estimate include the costs to the insurance company. Given the similarity in process between public rate hearings and the symposium contemplated in Senate Bill 9 and Senate Bill 413 (the right of OHA and/or AG to present evidence and closing arguments), the above-described cost estimate is a reasonable proxy for informing one of the costs associated with these bills. Such costs, other than those of the Attorney General's office (which is borne by the taxpayers of Connecticut), are ultimately factored into the rates charged by the insurers and eventually become part of the overall rate paid by insurance consumers.

The Department's existing rate review practices provide an effective and proven vehicle for full transparency, extensive review, and meaningful public comment. I would like to reiterate the Department's commitment to ensuring that we continue to operate in a professional and highly responsible manner, with respect to rate review determinations as well as the myriad other functions performed by the Department. Finally, we are always willing to work with the Committee on improvements to the Department's processes where the improvements are necessary and beneficial.

Thank you for the opportunity to submit comments in opposition to Senate Bill 9 and Senate Bill 413.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.



State of Connecticut

Insurance Department

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2014 Connecticut Insurance Rate Filings For On/Off Exchange 2015 Policies

Individual Market

<u>Company</u>	<u>Requested Change</u>	<u>Approved Change</u>	<u>Effective Date</u>
Aetna Life Insurance Co.	9.4%	4.60%	1/1/2015
Celtic Insurance Company	0.00%	-6.50%	1/1/2015
ConnectiCare Benefits, Inc.	12.8%	3.10%	1/1/2015
ConnectiCare Inc.	-21.50%	-21.50%	1/1/2015
ConnectiCare Insurance Co.	1.40%	1.30%	1/1/2015
UnitedHealthcare Ins. Co.	0.00%	-9.30%	1/1/2015
Golden Rule Insurance Co.	0.00%	-6.91%	1/1/2015
HealthyCT, Inc	-8.60%	-8.50%	1/1/2015
Time Insurance Company	25.00%	6.00%	1/1/2015
Cigna Health and Life Insurance Company	15.23%	8.82%	1/1/2015
Anthem Health Plans	12.5%	-0.10%	1/1/2015
UnitedHealthcare Life Insurance Company	0.00%	-9.20%	1/1/2015
Average	3.85%	-3.18%	

Estimated savings for consumers in Individual Market:
\$79,099,427

Small Group Market

Company	Requested Change	Approved Change	Effective Date
Aetna Life Insurance Co. *	5.90%	5.90%	1/1/2015
Anthem Health Plans	6.00%	4.40%	1/1/2015
HealthyCT, Inc*	-13.40%	-13.40%	1/1/2015
UnitedHealthcare Ins. Co.*	2.50%	2.50%	1/1/2015
ConnectiCare Inc.	-1.40%	-5.00%	1/1/2015
ConnectiCare Insurance Co.*	7.00%	7.00%	1/1/2015
Harvard Pilgrim Healthcare of CT	2.80%	-12.00%	1/1/2015
HPHC Insurance Co.*	-3.40%	-9.40%	1/1/2015
Oxford Health Insurance*	10.20%	10.20%	1/1/2015
Oxford Health Plans (CT)	10.20%	9.00%	1/1/2015
Average	2.64%	0.08%	

*CID has review authority but not approval authority over these filings

Estimated savings for consumers in Small Group Market:

\$9,448,203

Estimated savings for combined Individual & Small Group Markets:

\$88,547,630