



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony Insurance and Real Estate Committee March 10, 2016

Senate Bill No. 373 An Act Limiting Changes to Health Insurers' Prescription Drug Formularies.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony on **Senate Bill No. 373 An Act Limiting Changes to Health Insurers' Prescription Drug Formularies**. Generally, this bill prohibits carriers with respect to individual and group health insurance policies from removing or reclassifying drugs for the duration of the policy term.

While the Connecticut Insurance Department appreciates the intent of this bill, it cautions the Insurance and Real Estate Committee that the cost of prescription drugs is increasing at a significantly higher rate than other medical services. Pharmaceutical companies are free to raise the cost of a drug at any time. If carriers are limited in reacting to changes in drug prices or availability of lower cost options that are new to the market, the premium rates will increase to reflect such price changes. Prescription drugs are nearly 20% of the total premium for a major medical health insurance policy. Currently, an individual could continue on a drug that is removed from the formulary if the drug is medically necessary. This provides protection to the individual in the case when a lower cost option cannot be taken.

The Department thanks the Insurance and Real Estate Committee Chairs and members for the opportunity to submit testimony on S.B. 373.

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. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.