

Legislative History for Connecticut Act

SB 72	(PA 90-243)	1990
Senate	1738-1756, 3449-3451	(22p)
House	8954-8974	(01p)
Insurance & Real Estate	2, 3-5, 72, 95-96, 176- 179, 190, 196	(11p)
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CONNECTICUT  
GEN. ASSEMBLY  
SENATE

PROCEEDINGS  
1990

VOL. 33  
PART 6  
1680-1999

TUESDAY  
May 1, 1990

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aak 1738

On Page 10, Calendar 360, Substitute SB498, I refer  
that to the Committee on Human Services.

THE CHAIR:

Without objection, so ordered.

SENATOR O'LEARY:

Mr. President, if we could back now to the first  
item of the day on Page 2, Calendar 130, I believe that  
item is ready to go.

THE CLERK:

Returning to Calendar 130, File 197, Substitute  
SB72, AN ACT REVISING TITLE 38 OF THE GENERAL STATUTES  
CONCERNING INSURANCE. Favorable Report of the  
Committee on INSURANCE AND REAL ESTATE. Clerk is in  
possession of five amendments.

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Thank you, Mr. President. I move acceptance of the  
Joint Committee's Favorable Report and passage of the  
bill and ask the Clerk would call LCO4413.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO4413 designated Senate Amendment Schedule "A"  
offered by Senator Powers of the 20th District.

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THE CHAIR:

Senator Powers.

SENATOR POWERS:

Thank you, Mr. President. I move adoption of the amendment and ask permission to summarize.

THE CHAIR:

Without objection, you may proceed.

SENATOR POWERS:

Thank you, Mr. President. This is a technical amendment that was worked out by the Legislative Commissioner's office and the Insurance Department including some of the things that were left out in the original bill. It updates the former statutes and I would urge its adoption.

THE CHAIR:

Further remarks on the amendment? All those in favor of the amendment signify by saying aye.

SENATORS:

Aye.

THE CHAIR:

Opposed the amendment is adopted. Next amendment.

SENATOR POWERS:

Mr. President, if the Clerk would call LCO4800

THE CLERK:

LCO4800 designated Senate Amendment Schedule "B"

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offered by Senator Powers of the 20th District et al.

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Thank you, Mr. President. I move adoption and ask permission to summarize.

THE CHAIR:

Without objection, you may proceed.

SENATOR POWERS:

Thank you, Mr. President. This amendment would require that any company that delivers more than 51% of the total Medicare supplement insurance premiums written in the State shall incorporate the factors for expenses which exceed 150% of the average expense ratio for the written premium of the company.

Mr. President, this amendment basically refers to the 51% figure applies to Blue Cross. It is an attempt by us to address the issue, in particular, the Medigap problem, and that most of us here in the Circle have had numerous phone calls, conversations and letters from our constituents outraged at the average 43% increase that was approved to Blue Cross Blue Shield in the Medigap policy.

This will make sure that past action by Blue Cross, which would allow them to put a certain

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percentage of the expenses of a program like Medigap are no longer to continue and we would limit that to 151% of the overall written premium for that company. I would urge the adoption of the amendment.

THE CHAIR:

Further remarks on the amendment? Senator Larson.

SENATOR LARSON:

Thank you, Mr. President. I rise to associate myself with the remarks of Senator Powers. And just add, as well, as the Senator has indicated, numerous calls that we have received as well as conversations with concerned senior citizens, with respect to what we feel is a very unfair cost shift. Especially when you see Blue Cross go on T.V. and utilize monies that they then shift to the Medigap fund. What this amendment will do is redress that concern and I urge everyone in the Circle to vote for that.

Unfortunately, I think everyone understands that there is an anticipated cost shift due to federal governments overturning of the catastrophic insurance plan of 41%, certainly under our statutes is excessive.

THE CHAIR:

Further remarks? Senator O'Leary.

SENATOR O'LEARY:

Thank you, Mr. President. Mr. President, I rise to

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concur with the remarks of Senator Powers and Senator Larson. We know that it's difficult to anticipate cost and those of us in this Chamber have at one time or another had to write a budget and we probably at one point or another have had to deal with the tax package and last year we had to deal with increases somewhere on the order of revenue enhancement of about 12% to 14% and that's a very difficult thing to do.

But 41% in one year really requires a tremendous explanation and it calls out for this kind of legislation. I am sure that those who wrestled with the figure and eventually arrived at it have their reasons and explanations, but I think it's time for the General Assembly to say that this is an area of a necessity so much so that we have to come forward and act to stop it and if it becomes necessary to find other avenues, so be it, we will have to find them. But a 41% increase in the cost of providing insurance for the elderly on fixed income in one year is entirely too much and we in the General Assembly are simply going to say no.

THE CHAIR:

Further remarks? All those in favor of the amendment signify by saying aye.

SENATORS:

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Aye.

THE CHAIR:

Opposed? The amendment is adopted. Further amendments.

SENATOR POWERS:

Mr. President, it is not my intention to call any other amendments...I am all through.

THE CHAIR:

We are on the amendment as adopted by...

THE CLERK:

Mr. President, the Clerk is in possession of...

THE CHAIR:

Excuse me, there are other amendments that you are not involved.

THE CLERK:

LCO3300 designated Senate Amendment Schedule "C" offered by Senator Somma of the 16th District.

THE CHAIR:

Senator Somma.

SENATOR SOMMA:

Mr. President, I move adoption of the amendment and ask permission to summarize please.

THE CHAIR:

Without objection, you may proceed.

SENATOR SOMMA:

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Yes, basically this amendment would just establish an independent office of consumer affairs. May I remark further?

THE CHAIR:

Oh sure, you may proceed.

SENATOR SOMMA:

I just wanted to say, Mr. President, that I believe that the protest that we had over the Session by the Silver Wave and other groups that were protesting some of the outrageous insurance increases, particularly Medigap and other forms of insurance that have been alluded to today are really crying for a serious insurance reform and I think this amendment, if I just explain it briefly which would establish an independent office of consumer affairs would be entirely independent of the Insurance Department and would simply be in the Insurance Department of administrative purposes only.

It would be funded by payments made to the insurance companies and hospitals and medical services corporations. It would not add a new bureaucracy and I think what we need to do in order to really tackle seriously the insurance reform in this State is pursue a zealous consumer advocate almost modeled after the Office of Consumer Council in utility matters. I think

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it's hard to balance both the pursuits of the Insurance Department which are quite reasonable to ensure profitability and the solvency of insurance companies, and at the same time try to balance the advocacy of the consumer position in insurance matters.

So I urge the Chamber to consider this amendment and I would request a roll call please.

THE CHAIR:

Roll call is noted. Further remarks on the amendment? Senator Powers.

SENATOR POWERS:

I rise in opposition to the amendment. This amendment may sound nice on the surface but I think if we look a little more closely at it we will see that it will be really a duplication of a great deal of effort and success that we have had over the years. For example, two or three years ago the State Senate, I believe, passed unanimously, or at least to unanimously a restructuring of the Insurance Department which included within the Department two new divisions, the Consumer Affairs and the Division of Rate Review, both of which have been operating very well and I think in the best interest of the consumer.

Secondly, the amendment we just passed which I believe would be Senate "B" is an example of how the

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General Assembly can respond quickly and effectively to a problem that's been expressed to us by our constituents. What we have done is something that is far and beyond anything that "consumer council" or advocate could get accomplished and that's what we did when we passed Senate "B" that would restrict any of those companies, Blue Cross, in particular, from unfairly putting too much of an expense on the Medigap program.

Thirdly, a comment was made that this bill, that the consumer advocate in the Insurance Department would be very similar to the consumer advocate that exists now in the Department of Consumer Protection, in name only, in my opinion. Because we are dealing really with apples and oranges here. The Department of Consumer Protection is dealing, for the most, part, I'm sorry, the Department of Public Utility Control for the most part is dealing with monopolies, whether it be cable T.V., whether it be Northeast Utilities, and what we would be dealing with here are hundreds and hundreds of companies that are much more competitive.

And, lastly, I would add that although we haven't discussed this issue in several years in the Insurance Committee, my recollection from the last public hearing that we had a couple of years ago was that there are

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other states that do have a consumer council. One that comes to mind is the State of New Jersey.

Now the State of New Jersey has the first or the second highest automobile insurance rate in the nation. That, to me, is not a shiny example of why we need to have a consumer council in the State of Connecticut. It may indeed be just the opposite. So in conclusion, although it sounds nice, a consumer council has not been shown in other states. It is something that I believe that we had taken care of a few years ago and through the years and the latest example of which was just a couple of minutes ago, when we passed Senate "B" in direct response to the constituents.

So I would strongly urge rejection by the Chamber.

THE CHAIR:

Further remarks? Senator Upson, followed by Senator Smith.

SENATOR UPSON:

If I may, through you, Mr. President, ask Senator Powers a question about Senate "B".

THE CHAIR:

Senate "B" has been passed. We are on Senate "C".

SENATOR UPSON:

I know that sir.

THE CHAIR:

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Senator, we are not going to go back to something that has been adopted. We are now on "C".

SENATOR UPSON:

I know that. But the reason given to defeat...

THE CHAIR:

Let's proceed.

SENATOR UPSON:

Senator Powers just made some statements about not backing this in Amendment "C" and in that he talked about the increase in the 41% etc. That doesn't change. What actually happened is that Blue Cross Blue Shield did make a 41% increase. Even though I don't agree that they have anything to do with each other, but we didn't discuss that.

However, "C" I think is important. It will set up an independent department of Consumer Affairs which has nothing to do with the Insurance Department and will ensure further happenings such as this, whereas Blue Cross raised it by 41% where that will not happen in the future, so I do support it.

THE CHAIR:

Senator Smith, followed by Senator Somma.

SENATOR SMITH:

Thank you, Mr. President. Through you, a question, to Senator Powers. Inasmuch as he has alluded to the

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fact that the DPUC deals with monopolies and that is not the case with regard to the amendment before us. Senator Powers, to your knowledge what percentage of the total Medigap insurance in the State of Connecticut is provided by Blue Cross?

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Through you, Mr. President. Approximately 90%.

SENATOR SMITH:

Thank you, Mr. President. I think that makes the point and the point of fact is in the particular instance of the prior amendment and the instance of the amendment before us, we in fact in the State of Connecticut are dealing with a near monopoly circumstance and I therefore think that we should reject the amendment provided by the good Senator with regard to the differences between DPUC's activities and the activity suggested by Senator Somma and I urge the Circle to reconsider the remarks, or at least consider the remarks of both gentlemen and to take into account the facts that have been presented and I strongly recommend that we support Senator Somma's proposal.

Thank you.

THE CHAIR:

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Senator Somma. Further remarks? Senator Powers.

SENATOR POWERS:

Just a quick question to whomever might have this information. I don't have a fiscal note on the amendment. I was wondering if someone would share that information with me.

THE CHAIR:

Senator Somma.

SENATOR SOMMA:

Yes, I do have a fiscal note, Mr. President. The cost if I recall would be borne, as I mentioned in my remarks entirely by the Insurance company, but just as an explanation, the fiscal note talks about a similar cost in the Office of Consumer Council, \$553,000. However, it does say that the cost would be assessed to the insurance companies, as I mentioned earlier so there would be no cost.

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Thank you, Mr. President. I appreciate that and that is accurate, after the fact, but the fact does remain with an issue like this that we do have to put the money up front, I believe. It is my understanding, before we are able to pass any type of legislation or

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before the Insurance Department is able to effectively spend any money that is going to be reimbursed by the insurance companies.

Secondly, I just might add as follow up that Senator Smith is correct when he says that Medigap, through Blue Cross, is a virtual monopoly, but my point was and I don't want this to get lost in Senator's Smith point was different than the one I was making, that we have hundreds of insurance companies that operate within the State of Connecticut in a variety of different fields, which are extremely competitive and when you compare it to something like cable T.V. which is a monopoly or Northeast Utilities, the comparison is just not there. We have apples and oranges so consequently I would urge the rejection of this amendment.

THE CHAIR:

Further remarks? Senator Robertson.

SENATOR ROBERTSON:

Thank you, Mr. President. I respectfully rise to disagree with my very respected colleague. I am looking at a consistency and there very definitely is a consistency and it appears when we had utility rates escalating the consumer council division was put into effect. Generally what that consumer council division

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of the DPUC does is it represents the people in front of the DPUC versus the very strong lobbying, research efforts done by the utility companies. And then the DPUC acts as a judge.

May I suggest that the position that the Insurance Commissioner has been placed is basically the same as DPUC. You now have the insurance companies and their availability of resources to come up and defend their increase rates, even now that the Blues must go before them with the passage of the previous amendment, they still have the resources to legitimize their incomes. With the Commissioner sitting there as the advocate of a solvency situation of the insurance industry, there is no one there representing the elderly. We are talking about a bill now that is brought before us to help our senior citizens.

We have even gone beyond the bill and suggested in the first amendment that now the Blues for any increase over a certain percent will then have to present their increase to the Insurance Commissioner who represents the poor, frail elderly. This amendment is to give the elderly someone who has some ability to compete with the massive millions of dollars the insurance industry can bring to bear for some level of equity, and I would suggest even with the consumer council division in the

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Insurance Department, as it is in the DPUC, their strength is no where near that of a multi million corporation of the utility. And I would suggest that that would be even less significant in the insurance division.

But let's give these people some attention. The Commissioner has to be there looking at the insurance industry as he has in the past. Let's give these people some protection. The fact that in New Jersey they have the highest rates of auto insurance and they do have a consumer council may I also suggest to Senator Powers that we also have the highest utility rates and we have had a consumer division there. Thank you.

THE CHAIR:

Further remarks? Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate.  
Will all Senators please return to the Chamber.  
Immediate roll call has been ordered in the Senate.  
Will all Senators please return to the Chamber.

THE CHAIR:

Question before the Chamber is a motion to adopt Senate Amendment Schedule "C", LCO3300. The machine is

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open. Please record your vote. Has everyone voted?  
The machine is closed. Clerk please tally the vote.

The result of the vote.

14 Yea

22 Nay

The amendment is rejected.

Clerk, call the next amendment.

THE CLERK:

No further amendments, Mr. President.

THE CHAIR:

No further amendments, we are on the bill as amended by "A" and "C". Senator Powers.

SENATOR POWERS:

Thank you, Mr. President. The bill as amended is a work product of the insurance department in the Law Revision Commission and many individuals, both State employees and those who have volunteered their time throughout the course of many months to come up with a complete remodification of the insurance statutes, Title 38. A great deal of work and effort has gone into the legislation, Mr. President, members of the Circle. It does a number of things.

It clarifies and adopts new definitions and terms used frequently in the insurance statutes. Makes uniform in the statutes in various terms that were not

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consistent in the past. It overall shows a great deal of effort and cooperation on the part of many, many people to finally recodify the insurance statutes and I would urge adoption, Mr. President.

THE CHAIR:

Further remarks on the bill as amended? Senator O'Leary do you wish to vote on these individually? Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate.  
Will all Senators please return to the Chamber.  
Immediate roll call has been ordered in the Senate.  
Will all Senators please return to the Chamber.

THE CHAIR:

We are not going to have a Consent Calendar, so on each of these bills we will have roll call votes. The question before the Chamber is a motion to adopt Calendar 130, Substitute SB72, File 197 as amended by Senate Amendment "A" and "B". The machine is open. Please record your vote. Has everyone voted? The machine is closed. Clerk please tally the vote.

The result of the vote.

36 Yea

0 Nay

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30 **1756**  
aak

The bill is adopted.

Next item please.

THE CLERK:

Calendar Page 6, Calendar 308, File 314, HB5794, AN  
ACT CONCERNING THE ADDITION OF THE TREASURER TO THE  
BOARD OF DIRECTORS OF THE CONNECTICUT HEALTH AND  
EDUCATION FACILITIES AUTHORITY. Favorable Report of  
the Committee on FINANCE, REVENUE AND BONDING.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Mr. President.

THE CHAIR:

Senator McLaughlin.

SENATOR MCLAUGHLIN:

Yes, I would like to absent myself.

THE CHAIR:

The record will so note. Senator DiBella.

SENATOR DIBELLA:

Mr. President, I move adoption of the Joint  
Committee's Favorable Report and urge passage of the  
bill.

THE CHAIR:

Are there any amendments?

THE CLERK:

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abs 3349

And because of the press of business that I know is existing in the House, I would have to rise in opposition to this amendment and suggest to my seatmate, Senator Gunther, that he may want to readdress this issue next year and he might have some success.

THE CHAIR:

Further remarks on the amendment? Clerk, please make an announcement for an immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will Senators please return to the Chamber. Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment Schedule "A", LCO4842. The machine is open, please record your vote.

Senator Barrows, Senator Hale.

Has everyone voted? Has everyone voted? The machine is closed. Clerk please tally the vote.

The result of the vote.

13 Yea

22 Nay

The amendment is defeated. (Gavel)

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107 3350  
abs

We are now on the bill. Senator Powers.

SENATOR POWERS:

Mr. President, the bill we have before us is amended by the House. The Insurance Department Bill goes along very closely with a bill that I hope we will be passing within the next couple hours. That is the recodification of the insurance statutes.

The bill was brought to our attention by the Insurance Department, in large part the Federal Trade Commission has cited Connecticut along with some other states for a lack of regulation in the area of title insurance. This bill goes a long ways towards solving some of the problems we have had in the past in insuring that the Insurance Department of the State of Connecticut will have a much stronger handle in establishing the standards and procedures, and the administrative duties that are so important to make sure that title insurance is sold and handled properly in this state, and I would urge its adoption.

THE CHAIR:

Further remarks on the bill? Clerk, please make an announcement for an immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate,  
will Senators please return to the Chamber. Immediate

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abs **3351**

roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Calendar 470, Substitute for HB5872, File 508, 712, as amended by House Amendment Schedule "A". The machine is open, please record your vote.

Senator Mustone, Senator Hampton.

Has everyone voted? Has everyone voted? The machine is closed. Clerk please take a tally.

The result of the vote

35 Yea

0 Nay

The bill is adopted.

John, John. The Senate will stand at ease.

Call the next item please.

THE CLERK:

Mr. President, the Clerk is in possession of Senate Agendas numbers 2, 3 and 4, dated Wednesday, May 9, copies of which have been distributed and they are at the Senators desk.

THE CHAIR: (President Pro Tempore in the Chair)

Senator O'Leary.

SENATOR O'LEARY:

Thank you, Mr. President. I move acceptance of

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House of Representatives

Monday, May 7, 1990

DEPUTY SPEAKER POLINSKY:

The bill as amended is passed. (Gavel)

Clerk, please return to the Call of the Calendar.

CLERK:

Calendar 568, Substitute for Senate Bill 72, AN ACT  
REVISING TITLE 38 OF THE GENERAL STATUTES CONCERNING  
INSURANCE. (As amended by Senate Amendment Schedules  
"A" and "B").

Favorable Report of the Committee on INSURANCE AND  
REAL ESTATE.

DEPUTY SPEAKER POLINSKY:

Representative Biafore of the 125th.

REP. BIAFORE: (125th)

Madam Speaker, I move for acceptance of the Joint  
Committee's Favorable Report and passage of the bill,  
in concurrence with the Senate.

DEPUTY SPEAKER POLINSKY:

The question is on acceptance and passage, in  
concurrence with the Senate. Will you remark further,  
sir?

REP. BIAFORE: (125th)

Yes, Madam Speaker. The bill is the working  
product of the Insurance Department and the Law  
Revision Committee, which started back in June of '88.  
What it does, it contains 176 sections. It is mainly

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to put revisions, solely for clarification and deletion of over-used legalese and obsolete provisions. It clarifies and adopts new identification of terms. It makes uniform throughout the statutes the use of the term "alien", "foreign", "non-resident". It revises a number of sections applying to fire insurance. It separates the required coverage under group and individual health insurance. It separates for clarity and ease the reference of licensing provisions. It consolidates into one section all fees payable to the state under the statutes.

And as I said, there are 176 different sections, and I move for adoption of the bill.

DEPUTY SPEAKER POLINSKY:

Motion is on passage of the bill. Will you remark further?

REP. BIAFORE: (125th)

Yes, Madam Speaker. The Clerk has an amendment, LCO4413, Senate "A". May the Clerk please call, and may I summarize?

DEPUTY SPEAKER POLINSKY:

Will the Clerk please call LCO4413, which is designated Senate Amendment "A"?

CLERK:

LCO4413, Senate "A", offered by Senator Larson et

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al.

DEPUTY SPEAKER POLINSKY:

The gentleman has asked leave of the Chamber to summarize. Without objection, please proceed, sir.

REP. BIAFORE: (125th)

Madam Speaker, this is truly a technical amendment. It clarifies some of the sections that for whatever reason were not done in the original packet, and I move for its adoption.

DEPUTY SPEAKER POLINSKY:

Motion is on adoption of House Amendment, of Senate Amendment "A". Will you remark further, sir? Will you remark further? Representative Krawiecki.

REP. KRAWIECKI: (78th)

Thank you, Madam Speaker. A question through you to Representative Biafore, please. Representative Biafore, in lines 55 and following, there is a rewrite of subsection (b). And through you, Madam Speaker, I am just wondering what the major difference is between that rewrite and the file copy, since it appears to rerun the entire section?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

If you will hold on one second--

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322 8957

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DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Through you, Madam Speaker to Representative Krawiecki.

DEPUTY SPEAKER POLINSKY:

Please proceed, sir.

REP. BIAFORE: (125th)

The reason is to make it more, to make the language more consistent with the statutes, to clarify the language.

DEPUTY SPEAKER POLINSKY:

Representative Krawiecki.

REP. KRAWIECKI: (78th)

Through you, Madam Speaker, let me do it this way. Does it do anything except clarify language? Through you, Madam Speaker?

REP. BIAFORE: (125th)

Through you, Madam Speaker, no.

REP. KRAWIECKI: (78th)

Okay. Representative Biafore, another question. There is a reference in line 115 to Substitute Senate Bill 392. Through you, Madam Speaker, what is the status of that bill?

DEPUTY SPEAKER POLINSKY:

kfh

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Representative Biafore.

REP. BIAFORE: (125th)

Through you, Madam Speaker, from what I have been told, it was passed, and I believe the Governor has already signed it.

REP. KRAWIECKI: (78th)

Thank you, Representative Biafore. And lastly, I am assuming-- Well, I can't follow it because I think I am missing a page, but-- Through you, Madam Speaker, the last thing I have is page 5, and there appears to be a new mandate in line 167. I am assuming there must be at least a page 187, a page 6. And what I can't tell from our amendment is whether there are multiple pages after that. So, through you, Madam Speaker, can you tell me what happens after line 172 of the amendment?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

It does-- Through you, Madam Speaker, it does go on all the way to page 7. There are 7 pages in total to this amendment.

REP. KRAWIECKI: (78th)

Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Krawiecki.

kfh

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REP. BIAFORE: (125th)

And there is a copy coming over to you right now.

REP. KRAWIECKI: (78th)

Thank you. Madam Speaker, perhaps we can just hang on for a second.

DEPUTY SPEAKER POLINSKY:

The House will stand at ease.

Representative Krawiecki.

REP. KRAWIECKI: (78th)

Thank you, Madam Speaker. Representative Biafore, let me just ask you one other question. The new-- And I apologize. I didn't have the rest of the amendment, and I didn't realize it. The new section 177 on line 179, what is the purpose of that section? Through you, Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

One moment-- Through you, Madam Speaker, this provision includes the chiropractors into the provision of insurance policies, because some of the HMOs have chiropractors on staff.

REP. KRAWIECKI: (78th)

So--

DEPUTY SPEAKER POLINSKY:

kfh

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House of Representatives

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Representative Krawiecki.

REP. KRAWIECKI: (78th)

Thank you. Through you, Madam Speaker, are chiropractors then considered-- for purposes of the insurance statutes considered the same as a physician? Through you, Madam Speaker, their care?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Through you, Madam Speaker, yes.

REP. KRAWIECKI: (78th)

Thank you, Representative Biafore. Thank you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Will you remark further on Senate Amendment "A"? Will you remark further? If not, let us try your minds. All those in favor, please indicate by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

Opposed, nay. The ayes have it. (Gavel) The amendment is adopted. Will you remark further on this bill as amended?

REP. BIAFORE: (125th)

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Yes, Madam Speaker. The Clerk has LCO4800. I move that the--

DEPUTY SPEAKER POLINSKY:

Do you wish to have that amendment called, sir?

REP. BIAFORE: (125th)

Yes.

DEPUTY SPEAKER POLINSKY:

Will the Clerk please call LCO4800, which is designated Senate Amendment "B"?

CLERK:

LCO4800, designated Senate Amendment Schedule "B",  
offered by Senator Larson et al.

DEPUTY SPEAKER POLINSKY:

Representative Biafore, did you wish to summarize it?

REP. BIAFORE: (125th)

Madam Speaker, what I wish to do is summarize, but I would like-- I am asking for a rejection of Senate Amendment Schedule "B". The bill, Senate Amendment--

DEPUTY SPEAKER POLINSKY:

Let's go one step at a time, Representative Biafore. Do you wish to summarize, or would you like the Clerk to read the amendment?

REP. BIAFORE: (125th)

I will summarize.

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DEPUTY SPEAKER POLINSKY:

The gentleman has asked leave of the Chamber to summarize. Is there objection? Without objection, please proceed, sir.

REP. BIAFORE: (125th)

Basically, what this amendment would have done was say that no insurance company which delivers Medicare supplement policies could charge more than 150% of their average expense to the expense of these policies. Unfortunately, it also includes in there which says delivers more than 51% of the total Medicare supplement policies, and by putting that phrase in there, what it was was leave off 29,000 or more seniors who are with other companies. And for that reason, I am asking to reject Senate "B".

DEPUTY SPEAKER POLINSKY:

Motion is to reject Senate Amendment "B". Will you remark further, sir? Will you remark further on this amendment? Representative Krawiecki.

REP. KRAWIECKI: (78th)

Thank you, Madam Speaker. A question to Representative Biafore. Representative Biafore, as I understood it, this amendment put the limitation on only the company that had 51% of the market, which as near as I can tell would only be Blue Cross and Blue

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Shield, and the cap would then be a 50% increase on them. I am assuming that what you are going to do is call another amendment, and with the indulgence of the Chair, I just want to know what you are going to call next, before I decide whether or not I want to support taking this amendment off.

So, through you, Madam Speaker, if you could just briefly tell me what you are going to call next?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Through you, Madam Speaker, yes, I will be calling another amendment. It will be House Amendment LCO2087, which is a friendly amendment, to which both sides of the aisle have agreed to and--

REP. KRAWIECKI: (78th)

Fine. Through you, Madam Speaker, let me guess. Does that make it apply to all of the insurance companies? Through you, Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Through you, Madam Speaker, correct. We take off the 51% limitation and apply this to all companies who serve--

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REP. KRAWIECKI: (78th)

Thank you, Representative Biafore.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment?

Representative Jaekle.

REP. JAEKLE: (122nd)

Madam Speaker, while I find myself in the situation of agreeing that a House Amendment along the lines that was just indicated makes more sense than the Senate Amendment, I started hearing last week that we can't amend a Senate Bill. It's an important bill. It has to go back to the Senate. Now a 10,287 line bill is not only going to have a Senate Amendment rejected, sending it back to the Senate, but a House Amendment added. It does seem as if there are some strange standards going on here.

Clearly this looks like and has been represented to be an important bill, and there is now only three days left in the session. Saturday, we had an important bill, one that I am sure if we had sent back to the Senate, it would have been considered. But we were told, gee, there was a good amendment, but boy, we don't want to send this back to the Senate. It's getting late. You don't want to do that.

Now, an important, frankly in my opinion, a less

important bill is going to be amended and sent back to the Senate. I think there should be some even standards and some evenly handled rules as to when we are going to hear the argument: you can't amend the Senate bill because it goes back there, if you are in favor of it. Don't do it. We'll solve it next year. And when we do deem it appropriate to consider on our own, which I do think appropriate, House Amendments that are right and just.

I for one feel, with the possible exception of the last day, but even if the right is just enough, I believe on the last day, things can get through. I for one didn't like hearing it last week, and I am not really throwing that argument back today, because I happen to think this House, as an independent Chamber, has the right to consider our amendments, even on Senate Bills in the last few days.

But what bothers me is that it seems to depend who is looking to amend which Senate Bill, and I don't think that is a fair rule or argument. It is used apparently when a Republican amendment is being offered, that oh, we can't amend it. It's going to go back. That wasn't just Saturday. We heard that Friday, I think we heard that Thursday as well. It would have to go back to the Senate. That's no good.

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You don't want to risk the bill. But it seems as if other people have amendments, it's okay. And I resent that.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this amendment? Will you remark further on the amendment? Representative Smoko.

REP. SMOKO: (91st)

Thank you, Madam Speaker. Just one brief question, through you, to Representative Biafore. I know we are trying to limit the expense factor that goes into these policies. Through you, Madam Speaker, do we know what the actual expense ratio to average expenses for an insurance company is on these types of contracts? Through you, Madam Speaker?

REP. BIAFORE: (125th)

Through you, Madam Speaker, from the information that I have gathered, it is fairly close to this 150%. There are times, unfortunately, in this past December, when it went up almost 20%, and that was a terrific burden on our seniors, and this is why we are trying to get this into legislation, to make sure we can try to keep the cost down.

DEPUTY SPEAKER POLINSKY:

Representative Smoko.

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REP. SMOKO: (91st)

Thank you, madam.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment?

Will you remark further? If not, let us try your minds. All in favor of Senate Amendment "B", please indicate by--

REP. BIAFORE: (125th)

Madam Speaker, it is to reject Senate "B".

DEPUTY SPEAKER POLINSKY:

You are absolutely right. I stand corrected. All in favor of rejecting Senate "B"-- and maybe I should explain the vote. A yes would reject Senate "B". A nay would keep it in effect.

All those in favor of rejecting Senate "B", please indicate by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

Opposed, nay. The ayes have it. (Gavel) Senate "B" is rejected. Will you remark further on this bill as amended by Senate "A"? Representative Biafore.

REP. BIAFORE: (125th)

Madam Speaker, the Clerk has LCO2087. May the Clerk please call, and may I summarize?

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DEPUTY SPEAKER POLINSKY:

Clerk, please call LCO2087, which shall be designated House Amendment "A".

CLERK:

LCO2087, designated House Amendment Schedule "A",  
offered by Representative Biafore et al.

DEPUTY SPEAKER POLINSKY:

The gentleman has asked leave of the Chamber to summarize. Is there objection? Without objection, please proceed, sir.

REP. BIAFORE: (125th)

Madam Speaker, this is the amendment that I had previously spoke about. What it did was take out the 51% of the total Medicare supplement policies. It now will apply to all companies who sell Medicare supplement policies, and I move its adoption.

DEPUTY SPEAKER POLINSKY:

The question is on adoption. Will you remark further on House "A"? Will you remark further? Representative Young.

REP. YOUNG: (143rd)

Madam Speaker, through you, a question for the proponent of the bill or the amendment, more properly.

DEPUTY SPEAKER POLINSKY:

Certainly. Please frame your question.

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REP. YOUNG: (143rd)

How was the number 150% derived at? Through you, is it past practice? Is throw a dart? Or is it let them make a lot of money? Through you.

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Through you, Madam Speaker, it was based on basically past practice. This is about the average amount that Medicare supplement policies are over the normal policy.

REP. YOUNG: (143rd)

Through you, is that a nationwide, or is it Connecticut-wide?

REP. BIAFORE: (125th)

Through you.

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Through you, Madam Speaker, Connecticut. Just in Connecticut.

DEPUTY SPEAKER POLINSKY:

Representative Young.

REP. YOUNG: (143rd)

Do we know how that experience, through you, Madam

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Speaker, translates to national experience?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Through you, Madam Speaker, no.

DEPUTY SPEAKER POLINSKY:

Representative Young.

REP. YOUNG: (143rd)

No?

REP. BIAFORE: (125th)

No.

REP. YOUNG: (143rd)

Well, wouldn't it be, through you, or maybe this is a comment. Wouldn't it have been intelligent of us to find out what a larger hemisphere of people do, before we just picked a number out of the hat and said hey, this is a good one? Suppose we said 110%?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Madam Speaker, what we were more concerned about is our seniors who live in Connecticut and the average cost difference in Connecticut policies. So that is why we picked that average.

DEPUTY SPEAKER POLINSKY:

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Representative Young.

REP. YOUNG: (143rd)

Well, through you, this is an amount over expense that they are allowed to charge. Is it not right? Through you?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Madam Speaker, I am sorry. I didn't get the question, Representative Young.

REP. YOUNG: (143rd)

This is an amount in excess of their expenses that they are allowed to charge, correct?

DEPUTY SPEAKER POLINSKY:

Representative Biafore.

REP. BIAFORE: (125th)

Madam Speaker, correct.

REP. YOUNG: (143rd)

Well then, I would think that since to some extent the amount that your fees represent, that your fees exceed your costs, that represents profit. We should be looking at what the national average of this kind of thing is before we just say, hey, 50% sounds good. I am not sure if it is good, bad, competitive, non-competitive, or anything. It's a number. But I am

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concerned with how we got the number.

I guess it is a little late now to worry about it, but I think for that reason, I will just oppose the amendment.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment? Will you remark further? If not, let us try our minds. All in favor of House Amendment "A", please indicate by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

Opposed, nay.

REPRESENTATIVES:

No.

DEPUTY SPEAKER POLINSKY:

The ayes have it. (Gavel) The amendment is adopted.

\*\*\*\*\*

The following is House Amendment Schedule "A":

After line 10280, insert section 176 as follows and renumber the remaining section accordingly:

"Sec. 176. (NEW) No insurance company, fraternal benefit society, hospital service corporation, medical service corporation or health care center which delivers or issues for delivery Medicare supplement insurance policies, written or delivered in this state during the previous calendar year, shall incorporate into its rates for Medicare supplement insurance calculated in accordance with section 38-147m of the

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general statutes, as amended by sections 85, 106 and 112 of this act, factors for expenses which exceed one hundred fifty per cent of the average expense ratio for the entire written premium of such company, society, corporation or center for the previous calendar year."

After line 10287, insert the following:

"Sec. 178. This act shall take effect from its passage, except that sections 1 to 175, inclusive, shall take effect October 1, 1990."

\*\*\*\*\*

DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill as amended?  
Will you remark further? If not, will all members please take their seats? Staff and guests, to the Well of the Chamber. Staff and guests, to the Well of the Chamber. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members, to the Chamber. The House is voting by roll call. Members, to the Chamber please.

DEPUTY SPEAKER POLINSKY:

Have all members voted? Have all members voted, and is your vote properly recorded? Have all members voted? If all members have voted, the machine will be locked, and the Clerk will take a tally. Clerk will announce the tally.

CLERK:

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Senate Bill 72, as amended by Senate Amendment  
Schedule "A" and House Amendment Schedule "A".

Total Number Voting	146
Necessary for Passage	74
Those Voting Yea	144
Those Voting Nay	2
Those absent and not voting	5

DEPUTY SPEAKER POLINSKY:

The bill as amended is passed. (Gavel) Clerk,  
please return to the Call of the Calendar.

CLERK:

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DEPUTY SPEAKER POLINSKY:

Are there any announcements or points of personal  
privilege? Are there any announcements?

Representative Norton.

REP. NORTON: (48th)

I would like to introduce two members of the  
Gallery to the far right. My parents are with us  
today. My father who served the state in the capacity  
of Commissioner of Welfare and served this nation in  
that same capacity in Washington and is now Chairman of  
the Bacon Academy Board of Trustees in Colchester, and  
this year brought his wife, Chairman of the Library  
Board, my mother, Lynn Norton. And if the House would

JOINT  
STANDING  
COMMITTEE  
HEARINGS

INSURANCE  
AND  
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pat INSURANCE AND REAL ESTATE

February 16, 1990  
1:00 P.M.

PRESIDING CHAIRMEN: Senator Powers  
Representative Biafore

COMMITTEE MEMBERS PRESENT:

SENATORS: Hampton

REPRESENTATIVES: Biafore, Prague, O'Neill,  
Chase

SENATOR POWERS: (Tape begins here) -- to actually be able to see the speaker or just to be able to stay in Room 1D and probably be a little bit more comfortable than many of you are now. We apologize for that, but you've got only yourselves to blame for coming.

But seriously, we're delighted to have this many people who are obviously interested in what we hope are a variety of the bills that the Insurance and Real Estate Committee will be hearing this afternoon.

We'll begin the agency heads and legislators. The first person to speak is Commissioner Kelly, the Insurance Department. Commissioner Kelly. As Commissioner Kelly is approaching, I would just remind the legislators who are in attendance if you have any questions, please remember to push your buttons and for those in the audience, some of you who have not experienced a hearing in the past, you may see legislators getting up and walking in and out periodically. Please excuse us for that. It's a necessity because at times many of us have conflicts but rest assured that the Committee members are dedicated and will certainly be spending as much time here as they possibly can. Commissioner Kelly.

COMM. KELLY: Good afternoon, and thank you Mr. Chairman, and members of the Committee. I will be testifying orally today on two Insurance Department bills that we've asked you to raise, SB72, AN ACT REVISING TITLE 38 OF THE GENERAL STATUTES CONCERNING INSURANCE, and SB54, AN ACT CONCERNING SURPLUS LINES INSURANCE.

However, in the interest of time, I have submitted 40 copies of my comments and writings on other bills, and understand you have those comments before you. Those other bills are SB52, SB57, SB59, SB60 and HB5126 and HB5128.

On SB57, I have one additional comment that's not in the prepared testimony. That's the bill that says interest on health insurance claims that are not paid within 45 days. If they're less than \$1, they accumulate the dollars. They send the dollars to me and I pick a charity. Well, my favorite charity is Mrs. Kelly and I would only suggest that perhaps you escheat those funds to the State rather than letting me pick a charity. She's been my charity for 26 years, so.

As regards SB72, AN ACT REVISING TITLE 38 OF THE GENERAL STATUTES CONCERNING INSURANCE. This is a bill I'm sure you all have read in great detail. It's a bill which will bring the Connecticut regulation of insurance into the 1990s and hopefully will set the framework for insurance regulation into the next century.

This is the first comprehensive reorganization of the Connecticut insurance laws. This bill is a product of a cooperative effort between the Insurance Department, the Law Revision Commission and the Legislative Commissioner's office.

Present in the room today are four individuals who, and Cora, whom I should mention, who recently came on board and has been helpful to us, too, but four that have worked with us over the past year and a half. They are David Bickwin, he's the executive director of the Law Revision Commission. David. And David Heman who is the chief attorney for the Law Revision Commission. David. Our two counsels, Toby Doyle and John Arsenal. These four people are the people who have really put this product together and deserve much credit.

I should also mention that when we discussed doing this in 1988 with you, we did get some estimates from the last eight who had done such a recodification that was the State of Utah, and they told us at that time they had already spend

\$350,000 to bring in outside experts and they were not done with the project and they would expect that before it was done it would run in the neighborhood of between \$350,000 and \$500,000. We bring this to your attention to show that the Law Revision Commission, through their efforts, have essentially given us a first class product without any cash out-of-pocket.

The Insurance Department, in an effort to avoid opposition or confusion, has not attempted any major substantive changes, and has attempted to share our ideas with the insurance industry. This document reorganizes and updates existing statutes to conform to the practices and procedures currently used in insurance regulation.

Throughout the last year, there have been five task forces working on various areas of the insurance law which will require a substantial revision or which will product what we would call five different chapters on five different subjects.

They are, update the HMO statute, a statute on reinsurance which we do not have, a chapter on title insurance which we do not have, a chapter on financial guarantees which we do not have, and a chapter on investments.

Mr. Robert Googins, Bob, is he here? Mr. Robert Googins who recently retired early from the Connecticut Mutual Life as vice-president and general counsel, he offered his services to the Department on a pro bono basis and Bob Googins has been heading up our five task forces on those five different subjects.

Because the product of the five different task forces represents major changes they have not been included in this bill, but will be the subject of separate bills and we would expect to have three separate bills on three subjects. True we've fallen behind and we would not have any bill for you for this session, but hopefully next session.

Highlights of this current bill includes a part on individual health insurance which includes all the requirements and mandates in individual politicizes and a part on group insurance which specifies all

the requirements and mandates in group health insurance. This should avoid the current hunt and peck method of finding requirements for health insurance. These examples are indicative of the goal which the Insurance Department has attempted to achieve. The goal produced in a body of law which is comprehensible to insurance companies, lawyers, legislators and individual insurance consumers.

While the bill is somewhat difficult to follow, the Insurance Department, with the help of the Law Revision Commission has provided you with two additional versions. The first indicates how it will look, including deletions and additions and the second attempts to display the new title 38A if you pass the bill. We would request that you give favorable consideration to our recodification effort.

The second bill is SB54, AN ACT CONCERNING SURPLUS LINES INSURANCE. This is an Insurance Department bill which seeks to create more efficient regulation of the surplus line insurance transactions and the collection of premium taxes. You may recall we had a bill before you last year which you reported out and in the confusion got lost in the Finance Committee in the days of adjournment last year.

This bill proposes five changes. One, collection of premium taxes quarterly. Two, creates an exportable list which will reduce burdensome affidavit requirements. Three, it has an extension of the filing requirement for affidavits still required to be filed from 30 days to 45 days and it creates, number four, a uniform renewal date for all licensees. And five, it permits the licensing of non-resident excess line brokers.

With respect to the first item, the collection of premium taxes quarterly, for fiscal year 1991 by having taxes paid quarterly, the State will realize a one-time collection of five quarters of taxes in four quarters. That would result in additional revenue of \$700,000.

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pat

INSURANCE AND REAL ESTATE

February 16, 1990

really no need for that because that physician is more than qualified to review those types of claims now due to his licensure.

SEN. There are just two other bills I just want to touch on and I didn't have any written testimony on these. SB53, AN ACT CONCERNING INSURANCE COVERAGE FOR TREATMENT FOR SUBSTANCE ABUSE. Right now Blue Cross and Blue Shield does cover alcoholism and drug dependency. We testified to this bill last year and our concerns are the same as last year, so we will just, you know, I am not going to get into the concerns right now but if you want to I would be happy to discuss them with anyone later.

And regarding SB72, AN ACT REVISING TITLE 38 OF THE GENERAL STATUTES CONCERNING INSURANCE, Blue Cross supports the work that the Insurance Department has done and that's about it.

SEN. POWERS: Thank you very much. You went over a number of bills rather quickly and included written testimony which we all appreciate. I was curious about a couple of things that you said. HB5130, which is the vendorship bill. We have had testimony earlier today which I am sure you heard and information I looked over prior to the public hearing leads me to believe that a form of this legislation exists on the books in 22 other states which would tell me there is some evidence one way or the other how it is working, how expensive it is. You said it would add to the cost. We have had testimony to the opposite that have occurred in the 22 other states or a portion of those states. Can you now or quickly in the near future provide us with documentation that if this bill would pass that it indeed contribute to a cost increase?

EMILY SMITH: Basically the information that I have regarding the cost of mandated benefits is what I presented here on the two charts I have attached to my testimony and generally mandates in general increase insurance costs. I don't have data specific to social workers. I have put a call in to the Blue Cross Blue Shield Association and they are going to see if they can get me some information specific to that based on Blue plans in

The list of criteria in Section 5 is certainly exhaustive and we applaud you for attempting to be that comprehensive, but we would suggest that there should be some way to weigh or balance those criteria. Otherwise there could be found amongst those various criteria a reason for just about any mandate that could come before you. We would be happy to work with you further on this bill to try and reach any amendments that may be necessary.

AN ACT CONCERNING UNFAIR INSURANCE PRACTICES, SB61.  
We oppose this bill as it will increase the cost of insurers health claims, processing and utilization review procedures. It would provide that an insurers refusal to pay a provider bill based on a medical review would only be effective if that review was performed by a practitioner of the same healing art that submitted the bill.

There is no legitimate reason for this requirement, a requirement that would add cost to the processing of those claims. Utilization review guidelines, claim review guidelines are developed by companies using medical personnel. They are comprehensive in nature. Medical personnel are available for any appeals of those claims as they go through the process.

Moreover the bill requires that the reviewed be licensed in Connecticut. There is no apparent reason why this should be and if 50 states were to enact this type of law in effect you would have 50 different closed systems preventing any kind of economy of scale or regional offices handling the Northeast, the Midwest, whatever.

We would like to applaud Commissioner Kelly and the Insurance Department on their extensive, comprehensive efforts creating SB72, AN ACT REVISING TITLE 38 OF THE GENERAL STATUTES CONCERNING INSURANCE. Due to the length of the document we have not completed our own internal review of SB72 in its current form. I should say, for the record, that the Department has been very helpful and open in allowing us to look at their work product as they went through this process and did allow us to make comments, they did go through that, that work product.

We would make one suggestion though. Section 26 of the bill amends Section 38-72 among other things, include insurance administrators within the licensure requirements of that section. The bill does not amend Sections 38-92r to 38-92cc. Those sections were enacted two years ago by the Legislature to specifically provide licensure requirements for insurance administrators. There is now a conflict created by the amended version of 38-72 in this bill and that conflict should be addressed in some way.

We oppose HB5126, AN ACT CONCERNING PRIVATE REVIEW AGENTS FOR HEALTH CARE UTILIZATION REVIEW. Utilization review has been developed by the insurers at the request of our customers to ensure that the quality of care is continued under health insurance policies and that costs are limited to appropriate and medically necessary treatment. The effects of this bill would be directly contrary to these goals.

For example the Insurance Commissioners established as the regulator of this bill, Section 2(f) requires denial of certification upon a finding by the commissioner that the agent has insufficient doctors, nurses and technicians to carry out its activities. How does the commissioner draw these conclusions? Section 2(f) raises the same problems as earlier described in our comments on SB61 which you are considering today requiring the use of in state physicians and requiring the reviewer's specialty to match the provider's specialty for review to be effective.

In Section 2(i) the commissioner is charged with evaluating the effectiveness of private review agents. We are not sure what this means and what the basis for that determination would be. We think our customers are the best judge as to whether the review mechanisms are operating effectively. I should point out that section 2(l) of the bill which apparently prevents medical professionals required to be on staff in earlier provisions of the bill from practicing in their specialty outside that review process. It is also not clear what this sub section would have on HMOs



Medical Offices in:  
Branford  
Bridgeport  
Hamden  
New Haven  
Shelton  
Stamford  
Stratford  
Wallingford  
Waterbury

*Speaker 13  
Vince 18*

February 15, 1990

STATEMENT OF THE ASSOCIATION OF CONNECTICUT HEALTH MAINTENANCE ORGANIZATIONS CONCERNING:

R.B. 5129, AAC Health Maintenance Organizations

R.B. 5127, AAC Dental Care in A Health Maintenance Organization

R.B. 5130, AAC Social Work Vendorship

R.B. 56, AAC Prepaid Limited Health Service Organizations

R.B. 59, AA Establishing A Mandated Benefits Advisory Council

R.B. 61, AAC Unfair Insurance Practices

R.B. 53, AAC Insurance Coverage for Treatment of Substance Abuse

R.B. 5131, AAC Insurance Coverage for Diagnostic or Surgical Procedures Involving a Bone or Joint of Skeletal Structure

R.B., 72, AA Revising Title 38 of the General Statutes Concerning Insurance

Senator Powers, Representative Biafore, Members of the Committee. I am Don Ingalls of New Haven, Vice President, Public Affairs of Community Health Care Plan, a non-profit health maintenance organization. I also chair the Legislative committee of the Association of Connecticut HMOs which represents the collective interests of over 500,000 Connecticut residents who have chosen to enroll in prepaid health care plans.

I appreciate the opportunity to testify today on a number of the bills before you.

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Hearing 2/15/90

We strongly oppose both RB 5129 and RB 5127, An Act Concerning Health Maintenance Organizations and An Act Concerning Dental Care in a Health Maintenance Organization. Both bills would require HMOs to permit their members to go to any dentist or chiropractor, under certain conditions. We are opposed to these bills because such a mandate violates a central tenet of HMOs: control of the provider system -- who provides our members' care -- for reasons of both cost containment and, equally as important, quality assurance.

Unlike traditional insurers, HMOs are organized systems of care which actually provide or arrange for services to their members in addition to paying for care. HMOs contract with their members to provide a package of services and benefits. HMOs organize a network of health care providers through various contractual relationships to serve their members.

The HMO is contractually responsible, then, both for providing the care and also assuring its quality. A key element in assuring quality is control of who provides the care. HMOs do this by carefully credentialing their providers. Allowing members to go to any provider would seriously impair our ability to assure quality services to our members and could expose us to increased liability.

On the issue of choice, HMOs were founded on that principle. People choose to join HMOs instead of traditional insurance plans if they like the benefits, cost, and provider network offered. Members know when they choose our program that they will have to

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Hearing 2/15/90

use a more limited number of providers in exchange. People who find they don't like this aspect of the HMO may choose another plan at the next enrollment period.

From the HMO viewpoint, RB 5130, AAC Social Work Vendorship, presents the same problem. We at CHCP, in fact, employ social workers on our mental health staff. However, the issue for HMOs is that the choice of what professionals provide care to members is the proper purview of the plan, and should not be mandated by law.

We heartily support RB 59, AA Establishing a Mandated Benefits Advisory Council. This would provide the legislature and all involved parties a systematic approach to assessing the economic as well as social impact of any mandates. Given the health insurance affordability issue for employers and citizens, this bill is sound legislative policy.

In that spirit, therefore, we oppose the following bills which are additional mandates:

o RB 56, AAC Prepaid Limited Health Service Organizations, which is severely mistitled; in fact, it is a mandate to cover treatment in residential treatment facilities.

o RB 5131, AAC Insurance Coverage for Diagnostic or Surgical Procedures Involving A Bone of Joint of the Skeletal Structure, which is a mandate for coverage of TMJ. Since the modalities of treatment of this condition are dental procedures, coverage under medical policies is inappropriate.

With regard to RB 53, AAC Insurance Coverage for Substance

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Abuse, HMOs already cover substance abuse under either the mental health or alcohol treatment mandates. We suggest that the language clearly stipulate that the treatment periods not be additive.

We oppose RB 61, AAC Unfair Insurance Practices since we believe it is unnecessary and will only result in increased administrative costs. HMOs pay for covered services only when they are provided, authorized or arranged by the plan. Claims for services provided outside our health centers are reviewed under those guidelines which are clearly delineated in our subscriber agreements. If there is a dispute, we have a thorough grievance and benefits review process which includes medical input. This bill only duplicates a costly process.

We support S.B. 72, AA Revising Title 38 of the General Statutes Concerning Insurance. While HMOs are regulated under a separate statute, we have been working with the Department on a task force to revise our statute which will then come under Title 38. The Department has worked very hard to organize all the insurance statutes to make them more useful for everyone concerned. These efforts are to be commended.

In closing, I would point out that with regard to the preventive pediatric coverage passed last year, to be amended in RB 55, AAC the Provision of Preventive Pediatric Care Benefits in Group Insurance Policies, HMOs have always provided these services. A main philosophy of HMOs is that by providing such services, we can maintain our members' health, and treat

STATEMENT OF THE  
INSURANCE ASSOCIATION OF CONNECTICUT  
BEFORE THE INSURANCE AND REAL ESTATE COMMITTEE  
IN REGARD TO SB 56, 57, 59, 61, 72  
AND HB 5126, 5127, 5129, 5130, 5131, 5132  
FEBRUARY 15, 1990

SB 56: AN ACT CONCERNING PREPAID LIMITED HEALTH SERVICE  
ORGANIZATIONS

SB 56 would mandate coverage for inpatient and outpatient mental illness services performed at accredited residential treatment facilities. We must oppose this bill, because it appears to move group health insurance further from the link to medically necessary treatment.

Insurers sell medical insurance, providing coverage for effective medical treatment found to be necessary by the attending physician. Health insurance is not intended to cover custodial care or educational services. We are concerned that mental health benefits be mandated in instances where a difficult child is placed in a facility primarily because his parents can't control him, rather than due to the medical diagnosis of a mental illness.

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SB 72: AN ACT REVISING TITLE 38 OF THE GENERAL STATUTES CONCERNING  
INSURANCE

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The Insurance Association of Connecticut would like to applaud Commissioner Kelly and the staff of the Insurance Department for their efforts in bringing SB 72 before you for your consideration. The reorganization, clarification and technical revision of Title 38 is certainly a necessary task.

Due to the length of this document, we have not completed our own internal review of SB 72. At this time, I have only one issue to bring to your attention. Section 26 amends section 38-72 to, among other things, include insurance administrators within the licensure requirements of the section. However, section 38-92r to 38-92cc were enacted in 1988 to set licensure requirements for insurance administrators, and these sections are not amended or repealed by SB 72. Therefore, section 38-72 as amended conflicts with the 1988 legislation and should be further amended to remove this conflict.

2/15/90

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