

PA 11-170

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**JOINT
STANDING
COMMITTEE
HEARINGS**

**EXECUTIVE AND
LEGISLATIVE
NOMINATIONS
PART 4
986 - 1289**

2011

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NOMINATIONS COMMITTEE

March 15, 2011
12:00 P.M.

THOMAS LEONARDI: Thank you.

REP. JANOWSKI: I do have a couple of questions. My first question basically relates to the increasing pressure on the Insurance Department to give greater scrutiny to proposed health insurance rate increases. And I believe there's a bill before the legislature that would expand the Department's authority to review and hold a public hearing on rate filings, and I wanted to get an idea from you what your position on holding public hearings would be with regard to rate filings in making the rate review process much more transparent than it currently is.

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THOMAS LEONARDI: I -- I believe that the need for greater transparency is clearly evident. I don't think there's any question about it. One of the first things that I did when I joined the Department on my first day -- it was a week ago Friday, so I'm -- this is all a little bit new to me and I'm trying to come up to speed as quickly as I can -- excuse me -- was to ask the staff to put together a summary of what exactly happened last fall which, I think, is what triggered a lot of the concerns that everybody understandably has. And as soon as I have an opportunity to get that and read that and review it with staff, I would love to come back and speak with you and other members of the legislature and Insurance and Real Estate Committee to discuss those findings.

I think that right now, the commissioner has the authority to hold a hearing at any time. So that -- that exists. I don't think the commissioner needs additional legislation for that to happen. The question is -- I think the interesting question that you've asked is how

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do we make it more transparent? How do we give people to opportunity to be heard? And I think there are a couple of ways to do that would be short of actually requiring hearings or using maybe an arbitrary, like, a 10 percent -- if it's above 10 percent, you have to have a hearing. I -- I think if -- if insurers notify, for example, their policyholders who will be affected by a rate increase and tell them what the rate increase is, when it goes into effect and then include specific information whether it be web links, email addresses, fax numbers, phone numbers, the Insurance Department's website that will help people navigate to what this means, what's it going to cost me, how do I -- how can I be heard on it so that I think we then have the transparency and the ability to be heard and then the Department has to take that information into account and, of course, still utilizing the sound actuarial principles that have to be applied in assessing any rate increase that an insurance company would be requesting.

REP. JANOWSKI: Thank you.

As part of your testimony, you also pointed out an example -- as an example a colleague or friend of yours who had a child who was in the HUSKY program and was concerned about how to handle coverage once the child would age out of the HUSKY program and what I wanted to ask you is that the state currently is involved in trying to do quite a bit more to make coverage more affordable for a number of residents through the potential initiative under the SustiNet program. And I wanted to get a better idea from you as to how you see your department, basically, becoming participatory in the implementation of that program as well

Parents have to agree to -- to certain restrictions, children arrive early in the morning. They're given breakfast. They raise money through their board. They have people on the board from Yale and they're engineers on the board and whatnot. They provide the children with their backpacks and their books. They have three meals a day there, but they, in essence, take over the responsibilities from the family in the hopes that the children will get the nurturing and stimulation that they need to succeed in school. I don't see that as feasible on a public school -- you know, on a public school level.

SENATOR LOONEY: Well, thank you very much and anything else from members of the committee?

If not, the last question we ask all nominees, is there any in your background that might prove embarrassing to the Governor, as the appointing authority, or this committee or the General Assembly in approving your nomination?

PATRICIA KEAVNEY-MARUCA: Not to my knowledge.

SENATOR LOONEY: Again, thank you very much for be willing to take on this important obligation.

PATRICIA KEAVNEY-MARUCA: Thank you, thank you very much.

SENATOR LOONEY: That concludes our discussion with the nominees, and we do have a number of people signed up to testify on the public list. The first page is -- the first person is Karen -- Karen Schuessler and to be followed by Jan Hochadel and then Abby Ray.

KAREN SCHUESSLER: Good afternoon. My name is Karen Schuessler, and I'm the director of Citizens

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for Economic Opportunity, and CEO is a coalition of community and labor groups addressing healthcare reform and corporate responsibility.

And, first, I am testifying on the nomination of Thomas Leonardi for insurance commissioner, and I really want to congratulate him on this nomination. He's had a distinguished career in his prior position as chairman and CEO of Northington Partners, and I know he's worked long and hard to achieve this nomination.

The insurance commissioner has many responsibilities, including regulating and reviewing companies, educating and assisting consumers and licensing agents. And the appointment of a new insurance commissioner offers a great opportunity to appoint an individual who will serve the people of Connecticut and understand their needs and concerns, and the job requires an individual who is familiar with the insurance industry but is not too cozy with the business it regulates. And one really important role as a commissioner is to be a consumer advocate and work to ensure that any increases in premiums are actuarially sound.

Insurance company profits have been soaring, while financially hard-pressed Connecticut residents are struggling to make ends meet. And according to filings with the US Security and Exchange Commission, the five largest for-profit health insurance companies received huge profit gains in the first three months of 2010 compared with the year earlier. WellPoint, UnitedHealth Group, Aetna, Humana and Cigna reported a combined net income of \$3.2 billion, which is a 31 percent increase in the same period in 2009. And at the same time of these

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record profits, Connecticut's previous insurance commissioner kept rubberstamping nearly every insurance company request for a rate hike, including a 47 percent hike for Anthem in October 2010. And according to Families USA, premiums have increased 96 percent in Connecticut from 2000 to 2009.

And another really important quality the newest insurance commissioner will have the power and authority to enforce the new healthcare laws so it's important that the new commissioner is committed to help implement the new healthcare reform rule

With the passage of the Affordable Care Act in 2010, the establishment of new insurance marketplaces called exchanges and new rules regulating the medical loss ratio and the anticipated passage of Sustinet this year, many changes will need to be implemented and Mr. Leonardi will have an important role in this process.

So it's just really important that Mr. Leonardi be a strong advocate for consumers of Connecticut. And, you know, they really do deserve it, an insurance commissioner that will protect us, people from unjustified rate hikes.

And Representative Janowski asked an important question of -- Mr. Leonardi about the rate review legislation, which is SB 11, which would acquire public hearings if insurance companies want to raise the rates more than 10 percent. And it's really important I think for the insurance commissioner to support that because, as he said, he can call a hearing when he wants but, you know, a hearing will be triggered when insurance companies want to raise their rates more than 10 percent. Because it's important

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that insurance commissioner's not, you know, just policing themselves. And Connecticut has received a grant, a \$1 million for rate review so this would be a good use because when there's public hearings, there's certainly a more detailed analysis so I think it would be important for the insurance commissioner to support that legislation.

Thank you.

SENATOR LOONEY: Thank you very much. Thank you for being with us today.

Next is Jan Hochadel to be followed by Abby Ray and then Alexis Parchment.

JAN HOCHADEL: Good afternoon. My name is Jan Hochadel, and I'm the vice president of the State Vocational Federation of Teachers, and I'm speaking in support of Pat Keavney's appointment of the State Board of Education.

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As you know, the only system for which the State Board of Education has exclusive oversight is the Connecticut Technical High School System. Pat understands the unique qualities of our system in a way that few people appointed to the board initially do. She understands how the 17 schools, spread throughout the state, are connected, the collaboration required to develop our curriculums and assessments so that each trade provides students with the expertise that Connecticut industries expect from our graduates or the demands on teachers who must provide a full years' worth of academic instruction that successfully prepares students for CAPT in half the time afforded by other high schools.

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2011**

**VOL.54
PART 28
9295 – 9634**

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Those voting Yea	145
Those voting Nay	0
Those absent and not voting	6

DEPUTY SPEAKER ORANGE:

The Bill passes in concurrence with the Senate.

DEPUTY SPEAKER ORANGE:

Will the Clerk please call Calendar Number 625.

THE CLERK:

On Page 32, Calendar 625, Substitute for Senate
Bill Number 11 AN ACT CONCERNING THE RATE APPROVAL
PROCESS FOR CERTAIN HEALTH INSURANCE POLICIES.

Favorable Report of the Committee on Appropriations.

DEPUTY SPEAKER ORANGE:

Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker, and good afternoon.

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

DEPUTY SPEAKER ORANGE:

The question is acceptance of the Joint Committee's Favorable Report in concurrence with the Senate.

Representative Megna.

REP. MEGNA (97th):

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Thank you, Madam Speaker. Madam Speaker, this Bill establishes a new rate review process for individual and small group health insurance policies along with long-term care policies, and this is in response to a number of recently proposed double digit rate hikes that we saw here in Connecticut and across the country.

Madam Speaker, the Clerk is in possession of LCO 8238. I ask that it be called and I be permitted to summarize.

DEPUTY SPEAKER ORANGE:

Will the Clerk please call LCO 8238, which is designated "Senate "A".

THE CLERK:

LCO Number 8238, Senate "A", offered by Senators Crisco and Looney and Representative Megna.

DEPUTY SPEAKER ORANGE:

The Representative seeks leave of the Chamber to summarize. Objection? Objection? Hearing none, Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker. Essentially, this Amendment becomes the Bill. What this Amendment will do is require insurers to give notice to policyholders

in writing when applying for a rate increase in front of the Department and to provide them with information on how to submit public comment.

It will provide a notice to policyholders when a rate increase has been approved.

It will disclose pending rate increases, requests to perspective policyholders.

It will require the Department of Insurance to post rate filings on its website and provide a 30-day public comment period.

It will also require the Department of Insurance to implement a more stringent definition of excessive rates as defined under the statute.

And it will require the Department of Insurance to hold what we refer to as a symposium, which is a public forum on individual and group health insurance rate hearings, and upon the request of the Healthcare Advocate or the Attorney General, if the rate filing exceeds ten percent. If it does, that's when they'll hold this symposium at their request.

It will require the Department of Insurance to hold a symposium on long-term care rate increases upon request of the Department of Insurance, and requires

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the Commission to consider these comments in its decision when seeking to approve or deny a request.

And with that, I would move adoption of the Amendment, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Representative Sharkey, for what purpose do you rise, sir?

REP. SHARKEY (88th):

Madam Speaker, I would just move that we pass this item temporarily.

DEPUTY SPEAKER ORANGE:

The question before the Chamber is to pass temporarily this Bill. Is there objection? Hearing none, so ordered.

Will the Clerk please call Calendar Number 599.

THE CLERK:

On Page 29, Calendar 599, Substitute for Senate Bill Number 939 AN ACT CONCERNING REVISIONS TO ELECTIONS RELATED STATUTES. Favorable Report of the Committee on Planning and Development.

DEPUTY SPEAKER ORANGE:

Representative Morin.

REP. MORIN (28th):

Good afternoon, Madam Speaker.

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Will the Clerk please announce the tally.

THE CLERK:

Senate Bill 1111 as amended by Senate "A" in
concurrence with the Senate.

Total Number Voting	144
Necessary for Passage	73
Those voting Yea	144
Those voting Nay	0
Those absent and not voting	7

DEPUTY SPEAKER ORANGE:

The Bill passes in concurrence with the Senate.

Will the Clerk please call Calendar Number 625.

THE CLERK:

On Page 31, 32, Calendar 625, Substitute for
Senate Bill Number 11 AN ACT CONCERNING THE RATE
APPROVAL PROCESS FOR CERTAIN HEALTH INSURANCE
POLICIES. Senate "A" has been called.

DEPUTY SPEAKER ORANGE:

Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker. I move the Committee's
Joint Favorable Report and passage of the Bill in
concurrence with the Senate.

DEPUTY SPEAKER ORANGE:

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The question before the Chamber is passage of the Bill in concurrence with the Senate and the Joint Favorable Report of the Committee. Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker. The Bill previously had been PTd. I'd like to recall LCO 8238 and be permitted to summarize.

DEPUTY SPEAKER ORANGE:

Will the Clerk please call LCO 8238 designated as Senate "A".

THE CLERK:

LCO Number 8238, Senate "A", offered by Senators Crisco and Looney and Representative Megna.

DEPUTY SPEAKER ORANGE:

The Representative seeks leave of the Chamber to summarize. Is there objection? Objection? Hearing none, seeing none, Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker. This Bill establishes a new rate review process for individual and small group health insurance policies and long-term care policies.

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This Bill essentially is in response to a number of recently proposed double-digit rate hikes here in Connecticut and across the country.

Essentially the Amendment, Madam Speaker is the Bill and summarized, it does several things.

One, it would require the Department of Insurance to hold a symposium, which is a forum for public comment on individual or group health insurance rates upon the request of the Healthcare Advocate or the Attorney General, and if the rate filing exceeds 10 percent.

It would require the --

DEPUTY SPEAKER ORANGE:

Representative Megna, would you move adoption.

REP. MEGNA (97th):

I move adoption of the Amendment, Madam Speaker.

DEPUTY SPEAKER ORANGE:

The question before the Chamber is on adoption.
Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker, and I apologize.

Madam Speaker, this would also require the Commissioner to consider these comments at the

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symposium in his decision to approve or deny the rate increase.

It would also, essentially defines what a definition of an excessive rate increase is under statute, and among other things, it would require insurers to give notice to policyholders in writing when applying for a rate increase and to provide them with information on how to submit public comment.

It would also notice policyholders when a rate increase has been approved and it would also disclose pending rate increase requests to prospective customers as well as require the Department of Insurance to post the rate filings on its website and provide a 30-day public comment period.

Madam Speaker, the Clerk is in possession of LCO 8419. I ask that it be called.

DEPUTY SPEAKER ORANGE:

We're still on Senate "A", if anyone cares to remark on Senate "A"? Okay. If there's no further remarks on Senate Amendment Schedule "A", let me try your minds.

All those in favor please signify by saying Aye.

REPRESENTATIVES:

Aye.

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DEPUTY SPEAKER ORANGE:

All those opposed, Nay. The Ayes have it. The
Amendment is adopted. Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker. Madam Speaker, the
Clerk is in possession of LCO 8419. I ask that it be
called and I be permitted to summarize.

DEPUTY SPEAKER ORANGE:

Will the Clerk please call LCO 8419, which is
designated as Senate "B".

THE CLERK:

LCO Number 8419, Senate "B", offered by Senator
Crisco.

DEPUTY SPEAKER ORANGE:

The Representative seeks leave of the Chamber to
summarize? Is there objection? Objection? Seeing
none, Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker. Essentially this
Amendment simply sunsets the symposium in accordance
with the Affordable Healthcare Act of two years and
with that, I move adoption of this Amendment.

DEPUTY SPEAKER ORANGE:

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The question before the Chamber is adoption of Senate "B". Will you remark? Representative Megna, will you remark?

REP. MEGNA (97th):

Thank you, Madam Speaker, I just urge my colleagues to support the Bill.

DEPUTY SPEAKER ORANGE:

Will you remark on Senate Amendment "B"? Will you remark on Senate Amendment "B"?

If not, let me try your minds. All those in favor signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER ORANGE:

All those opposed, Nay. The Ayes have it. The Amendment is adopted.

Will you care to remark further on the Bill as amended? Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker. This Bill essentially is in response to a lot of the advocates out there who had concerns about great rate increases and the possibility of the lack of public input in the process.

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With that, I would just urge my colleagues, Madam Speaker, to support this Bill as amended.

Thank you, Madam Speaker.

DEPUTY SPEAKER ORANGE:

Thank you, sir. Will you care to remark further on the Bill as amended? Will you care to remark further on the Bill as amended?

If not, staff and guests please come to the Well of the House. Members take your seats. The machine will be opened.

THE 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 ORANGE:

Have all Members voted? Have all Members voted? Have all Members voted? Six hours ten minutes. If all the Members have voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

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Senate Bill Number 11 as amended by Senate
Schedules "A" and "B" in concurrence
with the Senate.

Total Number Voting	145
Necessary for Passage	73
Those voting Yea	131
Those voting Nay	14
Those absent and not voting	6

DEPUTY SPEAKER ORANGE:

The Bill as amended in concurrence with the
Senate passes.

Will the Clerk please call Calendar Number 627.

THE CLERK:

On Page 33, Calendar 627, Substitute for Senate
Bill Number 210 AN ACT PROHIBITING THE USE OF
BISPHENOL-A IN THERMAL RECEIPT PAPER. Favorable
Report of the Committee on General Law.

DEPUTY SPEAKER ORANGE:

Representative Reed.

REP. REED (102nd):

Thank you, 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 ORANGE:

**JOINT
STANDING
COMMITTEE
HEARINGS**

**INSURANCE AND
REAL ESTATE
PART 7
1983 – 2294**

2011

February 17, 2011

tmj/gbr INSURANCE AND REAL ESTATE
COMMITTEE

1:00 P.M.

This form of business steering by insurance companies makes it hard for independents to survive because they don't have the same customer access to policyholders. It also means that consumers may not be getting the best or most economical service. That is why several states either have laws or are proposing laws that prevent such steering to preferred glass repair facilities.

I hope we can adopt House Bill 5283 so we can -
- so we too can stop this anti consumer
practice from continuing.

REP. MEGNA: Thank you very much. Are there any questions? Thank you very much.

Moving on to the Agency's Senate Bill 11,
Vickie Veltri.

VICTORIA VELTRI: Good afternoon, Senator Crisco, Representative Megna, members of the Insurance and Real Estate committee. For the record, I am Victoria Veltri and I am the acting health care advocate.

I am here today to testify on Senate Bill 11. I want to thank the committee for raising the bill. And we support the concept, but we have some concerns about the bill and I just want to lay those out for the committee.

As you know, OHA brought a bill to you last year to bring some accountability to the rate review process. That bill underwent significant revisions, made it to the House floor as an amendment to H.B. 5090 and passed.

OHA believes that last year's bill that passed the House should be the starting point for negotiations on a workable rate review bill.

S.B. 11 contains some good features of last year's amendment to H.B. 5090 including transparency requirements for rate filings, notice to policy holders of a requested rate increase, a public comment period and factors that must be considered when evaluating whether a rate is excessive. However, we believe that S.B. 11 contains provisions that OHA believes would make a public-involved rate review process unworkable.

First of all, S.B. 11 applies to all rate filings, group and individual. We think this is excessive. When we first came to the Legislature seeking some form of public participation in rate review we requested that only individual policies be subject to the proposed bill. We think that that is still the proper scope.

Secondly, OHA agreed last year that not all rate filings should be the subject of a public hearing. In fact, we worked with the committee to try to develop an appropriate rate request that would trigger a hearing. Further, we suggested that there not be a hearing unless we requested one. S.B. 11 appears to require a hearing in all cases regardless of the level of the rate increase sought and whether or not OHA requests a hearing. We think the failure to have a trigger and not to further require OHA or the AG to request the hearing would make the hearing process overwhelming and unnecessarily complicated for the Insurance Department.

In sum, we suggest that the committee substitute the language from last year's bill, H.B. 5090 as amended, as the committee's bill. It contains the protections we sought to ensure a fair rate review process. While even this

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language will likely require further negotiations of all parties if it is to gain passage from both chambers, we believe it's the best place from which to start a discussion on a workable and accessible rate review bill that has, at its core, actuarial influence.

REP. MEGNA: Thank you, Vicki. Vicki, are you very familiar with the actual rate review process of the department? Could you talk about current premiums, executive compensation or profit, how that's considered in a -

VICTORIA VELTRI: Well, right now, it's not clear. I know the department has a rate review process that they go through. They have standards about whether a rate review -- a rate, excuse me, is excessive or not. I think the advantage of this bill and 5090 last year is there are some working standards that are put into the bill to have the department consider whenever they want to determine whether a rate is excessive or not. One of them includes profit. One of them includes whether there are reserves being shifted from a Connecticut company to an out-of-state company. There are other factors that I believe are also considered to determine whether a rate is excessive. But that -- to me, I am not -- I am not personally an expert on rate review.

When the rate review process moves forward, if we were to participate in the public hearing, we would be bringing in experts to ask questions and to review the file and that's the kind of safeguard that we think the rate review process could provide.

REP. MEGNA: You know, sometimes I think we in the Legislature create the parameters for the regulators to kind of work within. Is it

possible that maybe we could just tighten up and really define some of their obligations and will that create a more rigorous, a more thorough review process as opposed to doing something as proposed in this bill? Just your thoughts on that.

VICTORIA VELTRI: Well, I understand what you're -- I understand what you're asking. I think that that can be -- that could be possible. I think it's also fair to say that in a case where a rate request becomes at an excessive -- maybe not excessive, but at a certain amount -- over a certain trigger amount, that there -- that's the kind of time when there should be more rigor -- even more rigor applied to the process. So that the safeguard of a public hearing process would hopefully make sure that that rate increase is actually justifiable.

REP. MEGNA: Thank you. Are there any other questions? Stay right there, don't go anywhere.

VICTORIA VELTRI: Oh, the other one?

REP. MEGNA: Yeah, I think you're the next one up on 922?

VICTORIA VELTRI: Yes, 922 okay.

Well, for the record again, I'm Victoria Veltri, acting health care advocate. OHA supports Raised Bill 922, AN ACT CONCERNING NOTIFICATION OF THE SERVICES OF THE OFFICE OF THE HEALTH CARE ADVOCATE. Simply stated, this is a common sense proposal that ensures that consumers who have been denied a request for services can get access to the expert assistance of the Office of the Health Care Advocate when filing a grievance or appeal.

costs to replace the costs when you pay in a private sale. Increased costs lead to increased premiums and we oppose this bill. Not going anywhere else with that. Thank you.

REP. MEGNA: Thank you very much. Are there any questions? Thank you very much. We're going to move on to Senate Bill 11 with Susan Halpin.

SUSAN HALPIN: Good afternoon, Senator Crisco, Representative Megna and members of the committee. My name is Susan Halpin and I'm here today on behalf of the Connecticut Association of Health Plans to testify with respect to Senate Bill 11, AN ACT CONCERNING RATE APPROVAL PROCESS IN HEALTH INSURANCE POLICIES.

The Connecticut Association of Health Plans understands the desire for oversight and transparency in and around these issues. As we have said in the past on similar bills, we would be happy to continue our conversations with all interested parties about how best to accomplish these goals. We're pretty much giving a brief comment today in that we're not going to talk about any particular aspect of the various proposals that are currently before you, except to say that we believe it is of paramount importance that any rate review process is as -- be based on actuarial soundness and not because of some arbitrary analysis. In order for insurance companies to deliver on the promise of coverage, premiums need to be priced appropriately. Otherwise they will cease to exist and we urge the Committee to move cautiously when considering Senate Bill 11. We do believe the unintended consequences -- potential for unintended consequences is fairly significant. Thank you.

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INSURANCE AND REAL ESTATE
COMMITTEE

1:00 P.M.

REP. MEGNA: Thank you, Susan. Susan, I'm just curious on the rate approval process. I'm not familiar with health care, but where do they -- do they look at premiums earned, executive compensation, profit margin, those kinds of items? Where are they looked at in the process or are they looked at?

SUSAN HALPIN: Probably the Department of Insurance could respond better than I could as to what's looked at. But I do believe that they look very carefully at all aspects of the rates including, you know, a profit margin that's in there. But I could tell you you'd probably better be responded to by the Department of Insurance.

REP. MEGNA: Thank you. Any questions?
Representative Johnson.

REP. JOHNSON: Thank you, Mr. Chairman. Thank you for your testimony. And just to follow up on Representative Megna's questions, do you have any information on the price loss ratio and how that would be determined? Would there be hearings, would they have that information at the hearing and make a decision about it?

SUSAN HALPIN: Well, federal law is going to impact on the medical loss ratio. And I'd be happy to get back to you with detailed information on that.

REP. JOHNSON: Oh, I would appreciate that very much. Thank you. Thank you, Mr. Chairman.

REP. MEGNA: Thank you. Any other questions? Nope? Thank you very much, Susan.

Lori Pelletier.

tmj/gbr

INSURANCE AND REAL ESTATE
COMMITTEE

1:00 P.M.

Okay. Okay, thank you. Karen.

KAREN SCHUESSLER: Thank you. Okay. Good afternoon, my name is Karen Schuessler and I'm the director of Citizens for Economic Opportunity, which is a coalition of community and labor groups addressing health care reform and corporate responsibility.

And I strongly support S.B. 11, which will ensure more transparency and accountability of insurance companies. And the legislation is important for several reasons. Because even though the Affordable Care Act is bringing relief to people all over the country and providing affordable health care to millions, insurance companies are still raising their rates and making health care coverage unaffordable to many.

And to rectify this problem, Health and Human Services Secretary Kathleen Sebelius has proposed new rules that regulate the disclosures of HMO rate increases. And starting next year, every time a health plan proposes a premium rate hike of ten percent or more for individual or small group plans, they must submit them to the federal agency with actuarial justification. And state regulators in the federal government will review whether the rate increase is justified. And if the rate increase is not justified, federal regulators will advise the state to block the increase. And if the state doesn't have that power, HHS will post its review online to pressure the HMOs back down.

However, HHS has no power to block an increase. The state will be the one determining whether to block an increase. That's why this

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1:00 P.M.

legislation is so important. It needs to be done on the state level.

And on October -- in October 2010, Commissioner Sullivan approved a 47 percent rate hike for Anthem and blamed the increase on federal health care reform. So my organization sent a letter to Governor Rell asking her to replace him with a more consumer oriented commissioner. We held a press conference urging the commissioner to resign.

There was a lot of media coverage, and it was only then that Commissioner Sullivan then agreed to hold a hearing for the proposed Anthem rate hikes of nearly 20 percent that were to become effective January 1st of 2011. And then the commissioner resigned.

A hearing was held on November 17th and, as a result of that, the acting commissioner said the rates that were to be effective January 1st were unjustified and they got a zero percent increase, which really proves that public hearings allow a more detailed analysis process and can lower the cost of unjustified premium hikes to consumers.

And just lastly, Connecticut has received a grant from the Department of Health and Human Services to ensure a more transparent rate review process. And one of the goals of the grant is to hold insurance companies accountable for unreasonable rate hikes, which means that this grant could be used for public hearings. So I just urge your support of this.

SENATOR CRISCO: Thank you, Karen. Let me also just add a postscript that the chairman of the Insurance Committee, the ranking members -- they also participated in that request for

hearings. But the Insurance Department did a lot of work in regards to that increase. So we commend you on what you've done, but there are other people who played a major role. Representative Schofield. No? Anybody else? Thank you.

Jennifer.

JENNIFER HATCH: Senator Crisco and members of the committee, thank you very much for the opportunity to testify today.

My name is Jennifer Hatch. I'm a program associate with the Connecticut Public Interest Research Group. And I'm glad to have the opportunity to testify in favor of Senate Bill 11 today.

Our organization is a consumer advocacy organization. And nationwide we've been working to bring down the skyrocketing costs of health care. I've submitted written testimony before you, which goes into more detail. But I would like to just make a couple points today.

Our sister organizations in Oregon and most recently in California have been instrumental in establishing rate review processes to use at the state level. And we found a couple of principles which protect consumers and also with a view to really bringing down the overall cost of our health care system.

Firstly, that regulators must have strong standards and help to push insurers to lower premiums, and also improve the quality of coverage. And we think regulators should have the authority and the mandate to take a lot of considerations into account, and to make sure that that information is available to health

regulators. And in my testimony is the actual language from the California law enacted this September, which enumerates 24 items that insurers are to provide when proposing a rate increase, which speaks to sort of the variety of factors that we think are most beneficial.

If I can leave you also with this. Transparency in public participation in the process is essential and also (inaudible) in this bill a provision for written comment period for the (inaudible) of our Attorney General and our health care advocate to have (inaudible) hearings and for the public hearings themselves.

I would like to take just a second and echo the comments of our acting health care advocate from earlier in that we also believe that requiring a public hearing for any rate increase may prove too burdensome to protect -- to adequately protect consumers and the insured if required in all rate increases. And we echo the support for more of a trigger option, a threshold to be set by the insurance commissioner yearly above which a public hearing is required and below which one could be triggered by the insurance commissioner, the Attorney General or the health care advocate.

All in all we think this bill takes a great leap to protecting consumers and addressing our health care costs. And I thank you for the opportunity to speak today.

SENATOR CRISCO: Well, thank you very much, Jennifer. Questions for Jennifer, any questions? Yes, Representative Schofield.

REP. SCHOFIELD: Thank you, Mr. Chairman. You mentioned that you had 24 items that -- do you

know if those items on your list of 24 are pieces of information that are already included in what needs to be submitted by an insurer to the Department of Insurance for -- because they do review now. It's just not in a public process. So are there items that are not included now?

JENNIFER HATCH: I will first say that I'm not the expert on this and so I'd be happy to, you know, come back with that information.

REP. SCHOFIELD: I'd appreciate that.

JENNIFER HATCH: The main reason that I would make is that the newest provision that we've included is the California law that seems to be the most helpful on both sides was looking -- providing for a written display of any cost containment efforts. That's something that's -- has been added that's new in addition to the actuarial (inaudible). And I know that we see that as a good indicator of (inaudible) but hasn't necessarily been written into law previous to this -- in helping to determine sort of what consumers are getting presumably in support or in opposition to a rate increase. But I'd be happy to get back with you on that.

REP. SCHOFIELD: I'd really appreciate that. I guess for me I see two different issues here. One is can we improve the process that the Department of Insurance uses for reviewing rates. My guess, knowing very little about what they do, is that any process can be improved. So there are probably ways that they could do a better job. And so I'm all for that.

The flip side or the other half of what is being proposed is having a public hearing. And

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I'm not sure that there's a lot of value to having hundreds of people who have no expertise in insurance rate setting and no understanding of the medical costs, inflation or anything else coming in and saying, "I can't afford this, this is too high, it's awful." That doesn't change the equation at all. So I want to get a separation between what's going to be useful versus what's going to just create a lot of hubbub without getting any utility. So if you can share that list with me, I'd -- and with the Department as well, I'd really appreciate it.

JENNIFER HATCH: I'd be glad to.

REP. SCHOFIELD: Thank you.

JENNIFER HATCH: Thank you.

SENATOR CRISCO: Thank you. Any other questions of Jennifer and if you could share that with all the committee, Jennifer, greatly appreciate it. Just get it to the clerk in addition to Representative Schofield.

JENNIFER HATCH: Be happy to.

SENATOR CRISCO: Appreciate that. Thank you for all the good work you do. Any other questions? Thank you so much. Jamie. Jamie, is your mic on?

JAMIE MOTT: Oh, there we go, thank you. Yeah. My name is Jamie Mott and I grew up in the San Francisco Bay area. I grew up middle class, I went to a good college, graduated with honors, but during that time period I ended up getting a chronic repetitive strain injury towards the end of my college -- my time at college. So it's something I never expected. I was a hard

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worker, like injuries and accidents happened, you know.

I'm currently still not able to use my hands for work in terms of repetitive motion. I do still try to work. I work part time for the Hartford Public Library teaching a citizenship class with the assistance of helpful people and voice activated software which I use to create my curriculum. But because I am forced into a physical position where I can only work part time that means I can't get insurance through my job. And then in terms of getting on disability because I am trying to be working disabled, it makes it really hard to get on those programs that provide medical coverage for disabled people. And also, part of that process, too is you have to have really good medical records to even apply for disability. So if you're paying out of pocket to get these, it makes it really tricky. So I guess I'm here to represent myself and my many disabled friends who don't have medical insurance and just really can't afford it because of -- directly because of their disability.

For about eight years I was living at home with my parents so that I could afford medical costs. I did have insurance at the time because of the COBRA from previously -- and it's allowed to be extended in California, it's just that you have to pay more and more each time. And at that time, my medical costs comprised about 70 percent of my income so I just couldn't move out. Now that -- I moved to Connecticut strictly to get on Section 8 housing so I could pay a portion of my income for rent, but now I have a lot of medical related debt because of the disability. So it's like, you know, choose one or the other.

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Anyway, I just think that this bill is incredibly important because it does create transparency in the process of rate increase and accountability. And I think that -- yeah, you kind of mentioned it, it would be tricky to have like a lot of people come in and just say this is too expensive, this is too hard. I'd say that that would be complicated, but at the same time very beneficial because I think there's a very big disconnect between the people that are raising the rates for business reasons if it is, you know, just to increase profits and the people that are being affected. So I guess I do find value in that just to help -- you know, people make decisions that are good for business but also good like holistically for a business, which is, you know, providing good services for people. Thank you.

REP. MEGNA: Thank you. Just one moment. Are there any questions for Jennifer (sic)?
Representative Johnson.

REP. JOHNSON: Thank you, Mr. Chairman and thank you for your testimony. So do you think that the impact of having -- when there are these large, egregious types insurance increases, say it's 20 to 40 percent, if large numbers of people come to those hearings that should maybe have an impact on the regulators, is that what you're trying to say?

JAMIE MOTT: I think so. Because I think that they'll get -- you know, it puts a human face to these situations. And when people are making business decisions maybe they're thinking of numbers and profits. But when they see people really in front of them suffering, it may change the decisions they make about

that, about the rate increases. That's what I would hope.

REP. JOHNSON: Thank you so much. Thank you, Mr. Chairman.

REP. MEGNA: Thank you. Thank you, Representative. Bob George. I'm sorry, Bob Kehmna. Sorry, Bob.

ROBERT KEHMNA: Was that a crack about bald guys or

--
For the record my name's Bob Kehmna from the Insurance Association of Connecticut. I'm here today to oppose Senate Bill 11. This bill would apply new rate approval provisions that you'll find in Section 6 to all types of health insurance as defined in Connecticut statute.

That definition includes long term care and disability insurance policies. This would create a whole host of problems that would be detrimental to those two marketplaces.

By requiring a filing to be at least 120 days in front of the effective date, you're setting up a situation where there is an extraordinarily long gap from the filing to implementation, and that would only serve to complicate the actuarial determinations that have to be made in that filing.

This would also require a mandatory public hearing and opportunity for public comment as we've heard. We know of no other state in the Union that requires public hearings on rate filings for disability income or long term care insurance. Members of the public will certainly take the opportunity to comment they don't want their rates to go up. But we really

don't think that should be dispositive relative to the legitimacy of the filing, the facts and actual science on which that filing is based.

Those filings are highly complex, containing various actuarial documents and formulas. Judgments are based on the facts presented and should be made in the provenance of the regulator who has the background and experience to consider filings objectively. Subjective input from the public could really do little to add to proper consideration of the filing.

By requiring the posting of all the filing information on the Internet, this bill would improperly require the exposure of an insurer's proprietary information, which could compromise the competitive position of that insurer in the marketplace. This would only serve as another disincentive for insurers to write disability income or long term care insurance in this state.

It would require, as you've heard, filings on 15 different types of insurance, both individual and group. So roughly 30 different types of insurance would be subject to this new approval process. This would place an extraordinary if not impossible burden on the Insurance Department and basically prevent them from doing the various other requirements they have in performing their tasks. There are various, myriad tasks under the department's charge.

We would suggest that the best interests of purchasers of long term care and disability insurance products in this state would not be served by the passage of Senate Bill 11 in its current form.

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REP. MEGNA: Good timing, Bob. Thank you. Are there any questions? Representative Johnson.

REP. JOHNSON: Thank you, Mr. Chairman. Thank you for your testimony today. Do you have information on the standards that are used by the insurance commissioner's office for rate determinations?

ROBERT KEHMNA: I do not, but I know your committee had a joint hearing a couple months ago, I believe, with Aging in regards to long term care products specifically. And the Department came in there -- into that hearing and presented what I thought was kind of an exhaustive review of what they do and how they do it, the standards that they use in judging whether a filing is proper or not. So that is something in the recent past for this committee's consideration.

REP. JOHNSON: Thank you so much. Thank you, Mr. Chairman.

REP. MEGNA: Thank you, Representative. What we could do is we could direct the Department to get us that information for Representative Johnson. Senator Crisco.

SENATOR CRISCO: Thank you, Mr. Chairman. Bob, would you be willing to give us a suggestion on recommended language as far -- to make the issue a fair issue, both to the industry and to the consumer? If you don't -- that's entirely up to you, but would you consider that?

ROBERT KEHMNA: We're always willing to talk with you and any member of this committee.

SENATOR CRISCO: We should -- we should -- let me ask you, you feel there's no halfway?

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ROBERT KEHMNA: We don't believe -

SENATOR CRISCO: Okay.

ROBERT KEHMNA: -- disability income and long term care products should be part of this process that's laid out in Section 6 and don't believe the public would benefit from that. Because of the nature of the products involved and the rate increases that -

SENATOR CRISCO: The other part of the bill, is that satisfactory?

ROBERT KEHMNA: I'm sorry, what other part is that?

SENATOR CRISCO: The other parts for health care?

ROBERT KEHMNA: I don't represent health insurance and I don't pretend to represent -

SENATOR CRISCO: Okay, okay, never mind, never mind. All right, we'll work on it.

ROBERT KEHMNA: Thank you.

REP. MEGNA: Thank you, Chairman Crisco. Any other questions for Mr. Kehmna? Thank you, Bob. Brian Quigley.

BRIAN QUIGLEY: Thank you, Chairman Megna and Chairman Crisco and all the members of the committee. For the record, I'm Brian Quigley, regional director for America's Health Insurance Plans. I'm here to voice our strong opposition to Senate Bill 11.

Our members recognize the need for more transparency and the concerns about ever increasing rates. And you know, we are

attempting to do things to help ameliorate those rate increases, but the underlying cost driver for health insurance is the cost of medical care. And our concern is that the level of regulation in this bill is excessive and very expensive and unnecessary given the Department's current review process, which we believe to be robust and satisfactory.

So -- and I would echo Bob's comments. Our (inaudible) members who write non-medical coverage are very concerned about this bill. It's my understanding that last year's version of this, Senate 194, was intended by the health care advocate to only apply to medical expense coverage and not to the other lines of business. And we would urge that those lines of business be removed from this bill. Federal reform and federal rate reform exempts those other lines of business from that law, and we believe it would be appropriate here as well.

As has been said, mandatory public hearings for all these products would be a tremendous burden on the Department and very expensive. One of our carriers in Rhode Island indicated that the process there, which is a prior approval process, costs them \$250,000 per filing. With the limitations under federal reform for administrative expenses, that's a tremendous burden when your administrative expense is going to be limited.

And to a point that was made earlier, the federal reform will address the loss ratio requirements and require refunds. And so -- just one other example, this bill, unlike last year's, which was individual, addresses group coverage. Most group coverage is experience rated and it would not make much sense to have a public hearing on rates that are determined

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on the basis of experience of that particular customer.

The length of notice is very problematic. I'm sure if a carrier filed today with Paul Lombardo at the Department, experience and factors that were 120 days old, he would say, "I want more current experience." But this bill would force you to use information that is out of date by the time it becomes effective. So we're very concerned about that.

In summary we would appreciate the opportunity, as Chairman Crisco indicated, to work with the committee and the Insurance department to figure out what the appropriate level of regulation is here. Again, we think the department does a very good job now. I'd be happy to answer any questions.

REP. MEGNA: Thank you. Are there any questions for Mr. Quigley? Nope. Thank you very much

BRAIN QUIGLEY: Thank you.

REP. MEGNA: Tom Swan.

TOM SWAN: Thank you very much, Senator Crisco, Representative Megna and the other members of the Insurance and Real Estate committee. My name is Tom Swan and I'm the executive director of the Connecticut Citizen Action Group.

On behalf of CCAG's over 20,000 member families, I want to commend you for raising this bill today, AN ACT CONCERNING THE RATE APPROVAL PROCESS FOR HEALTH INSURANCE POLICIES. I've submitted written testimony so I'm going to talk a little bit separate from that during my time here this morning.

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Last year's fiasco around the Anthem proposed rate increases proved the need for both an approval process, but also a need for us to strengthen it. The fact that one day one commissioner could rubber stamp it and the next day somebody actually looked at it and rejects the rate increase because of the work of our health care advocate and Attorney General is very important.

I think that this bill goes a long way towards doing it. We are concerned with the opt out within the individual market for this bill for plans that reach medical loss rates here. We do think that it should cover both the individual and group markets, especially as reform evolves and is implemented in the state.

The Affordable Care Act gave us new tools and incentives for moderating and reviewing claims. I need to respond to things from each of the last two speakers. First, for one of the first times ever I'll agree with Bob Kehmna. And I think at this time we should limit this bill to health insurers and some of the other policies should be exempt.

Secondly, in response to the previous speaker, Brian, I want to say that just because the health insurers say that the reason for the increase in costs is because of rising health care costs doesn't make it true. These tables here shows the cumulative rate growth in both health insurance -- whoops -- okay. Health insurance premiums compared with inflation -- at this level, 97 percent increase from 2000 and 2008 for family premiums. This, single premiums, 90 percent increase. Spending on health care by private insurers, by the insurers themselves, how much they spent, it

went up 72 percent. The medical component of the consumer price index went up 39 percent.

The insurance companies truly have been charging more last year. The five largest insurers had record profits, had three -- nearly three percent fewer people enrolled within their plans and a much lower utilization of health care because of the economy and other factors.

We need this type of transparency that you're proposing here today. I commend you, our members commend you. And we look forward to working with you to make it a reality. Thank you.

REP. MEGNA: Thank you. Are there any questions?
Representative Johnson.

REP. JOHNSON: Thank you, Mr. Chairman, and thank you for your testimony today. I was just wondering do you have any recommendations for standards that we should base some of this -- we've been hearing testimony on? Because people -- what kinds of recommendations would you make for standards for approval in rate increases?

TOM SWAN: Okay. One, rates shouldn't go into effect unless they've been approved. Two, there should be a standard consumer friendly filing that discloses online justifying any increase. And I'm open to some give and take on the 120 days or not. That the rate increases must include both a public notice and a public comment period. That the standard for review to approve or disapprove rates must be based on a range of factors including company profits, surplus, rate increase history and

affordability for consumers would be what's most important for us.

That protections also need to be included for consumers for policies that are no longer sold. That there needs to be some way to keep things affordable for those. There should be at least a 60 day notice from the time a rate is approved before it goes into effect to give consumers, employers and individuals an ability to go out and shop for, you know, competition or alternative plans.

Public hearings should be for both the individual and group market rate changes. And I think I'm acceptable to there being a threshold for that as opposed to every single rate increase that we may look at something around 7 and a half or even as high as ten percent initially to see how it goes before we have to have that hearing. And there finally needs to be the ability for consumers, the health care advocate and the Attorney General - the advocate and the Attorney General particularly to be able to intervene within these -- within these hearings. I hope that answered your question.

REP. JOHNSON: Yes, that's very good. You were mentioning something about how there should be something -- if a health insurance is discontinued that there should be -- that there should be an alternative because we know -- we've seen in the past where that occurs -- the rates increase for that small pool and eventually there's so few people in there that they -- the costs become unbearable to where there aren't that many people in those types of plans. I was wondering do you think those plans should have some type of a clause in them -- an option clause perhaps, like we hear

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with some of the COBRA plans that would allow for a smooth transition?

TOM SWAN: I think whether it's within the plans or within some types of legislation or regulation, that makes a lot of sense to me. I'm not prepared today to offer specific language or details, but that makes a lot of sense to me.

REP. JOHNSON: Thank you so much for your testimony. Thank you, Mr. Chairman.

REP. MEGNA: Thank you, Representative. Are there any other questions? Representative Schofield.

REP. SCHOFIELD: Thank you, Mr. Chairman. I just -- I actually don't remember the details, I certainly remember the headlines on the sequence of events that happened with the rate filing that you talked about. Had -- it was a 47 percent request, is that what it was?

TOM SWAN: The one that the actual hearing was on I'm quite sure was within the 20 percent range.

REP. SCHOFIELD: So I got confused because I don't think -- some were prior -

TOM SWAN: There were a number of proposals and all. And it was at a different time of the year. So there was one plan that was proposed at 47 percent, another at 20 -- 20-something percent. And I believe it was the 20 percent that was something that got overturned.

REP. SCHOFIELD: And so the one that actually had the hearing, had there been an approval of a rate prior to the hearing -- of -- for that particular plan? Had the Department approved something and then the hearing resulted in a

change in the approval rate? I'm assuming -- the Department is shaking their head no.

TOM SWAN: Okay, then I'm not going to say that the Department -- if the Department's shaking their head no, I'm not going to counter them.

REP. SCHOFIELD: Okay. I just wanted to get clear. Because it sounded like a 47 percent rate had been approved and only because of the public hearing was it then knocked down to 20 percent.

TOM SWAN: Yeah, I'm pretty sure I'm right that they were two different -- the 47 was totally separate than the 20 percent that the hearing was about.

REP. SCHOFIELD: Okay. So what we don't know is was there actually a different set of reasoning and costs or underlying issues for that one case.

TOM SWAN: Well, there wasn't -

REP. SCHOFIELD: We don't know for sure.

TOM SWAN: We didn't have this type of a process and transparency in place where -- either of them - - where probably the Department would have taken less heat and the public would have had a better ability to both judge and respond and if you have the type of time periods that I'm talking about, the ability to change or act accordingly. So I think that this would -- as opposed to re-litigating what happened -

REP. SCHOFIELD: Sure.

TOM SWAN: -- or didn't happen there, I think that this is a very good proposal for going forward. I mean, you and I could spend a long time talking about, you know, what happened. And we

may have similar or different ideas about what happened. But I think this is an excellent way for going forward.

REP. SCHOFIELD: And did I hear you also say that you agreed with the idea of having a threshold as opposed to a public hearing on every two percent rate increase that comes along?

TOM SWAN: Yeah, I think so, too.

REP. SCHOFIELD: Okay. It would save a lot of work. And I guess, the last thing, I would just ask -- you had a number of suggestions about 60 day notice. A certain -- you'd obviously have to have notice before the public hearing. The hearing would take time -- there would be time for the Department of Insurance to review. I'd like to ask you to -- if you can time line that out and give that to us because my one concern, which I think somebody else mentioned, too -- is that at a certain point we're talking about creating a process that -- a six month long process.

So, you know -- and an insurance company is going to have to be working on developing their rates using data from, you know, 2010, but to get it in early enough for a 2012 product that you're going to be using old data or winging it, projecting what your future premium is going to be like. And when you've got that kind of time gap it becomes a problem from the Insurance Department's perspective because you're not using accurate data. So I -- just wondering if you can figure out a way to shorten that.

TOM SWAN: Yeah. I think 120 days before the hearing is probably too long. I mean, I really agree with the fine folks in the industry and

in the Department that, you know, if there's -- they need 45 days at that point in time and then once it's been approved, whatever has been approved has been approved, then I do think that you need to give additional time before it's implemented so that consumers who are subjected to whatever the rate increase is have the ability to go out and look for a different product or to shop around. So I would say that's what I look at 60 days. So in total you're somewhere in there about 105 days, which I'm sure is longer than what most insurers would want. But I think it's a time frame that really allows people to do the due diligence both on the original filing and then for consumers at the other side to be able to do the shopping.

REP. SCHOFIELD: Yeah.

TOM SWAN: In a way, that is still more compressed than what the notice was before when we've been here. So, I mean, off the top of my head that seems to be a reasonable middle point because if it takes you two weeks to shop around, to find a new insurer, you can't buy that the next day anyhow. So you've got to give some people on that backside some time to be able to respond in terms of seeing if there's a product that better meets their need in a more cost effective form.

REP. SCHOFIELD: I -- again, just would ask you to think about how you might shorten that because to the extent that you're going to put a rate out there, the further out that it's going to take effect, the further date out that it's going to take effect, the less accurate it's going to be. So if you have a long notice period -- the further out, the less you know about the future, the more risk you're at.

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And whenever somebody's at risk, what do they do to deal with their risk. They get conservative about their numbers, which is going to make the rates go higher because you have less predictability. So in order to make sure you don't shoot yourself in the foot you're going to want more of a cushion. So the more time you want, the more cushion you're going to want and it ends up working against you in the long run.

TOM SWAN: I do think that 60 days on the backside is very important.

REP. SCHOFIELD: Well, there may be another way to look at that that you give someone a 60 day out. The rate goes into effect but you have 60 days to -- so that you don't have rates hanging out there real far into the future and there may be ways to allow people -

TOM SWAN: -- (inaudible) something like that to make it -

REP. SCHOFIELD: -- to move -

TOM SWAN: I want to figure out how to make it work in a fair way. Because we've seen -- I think it's been proven to all of us that having a process where the advocate and the Attorney General can intervene is going to be beneficial for the residents of Connecticut. Within that, how to make it work in a way that we're not having to approve artificially high or low policies that could put the insurers at risk. I think that makes sense.

REP. SCHOFIELD: Okay. Thank you.

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REP. MEGNA: Thank you, any other questions? Thank you very much, Tom. We're going to move on to 6309, Eugene Marconi.

EUGENE MARCONI: Good afternoon, Senator Crisco, Representative Megna, my name is Eugene Marconi. I'm the general counsel for the Connecticut Association of Realtors. I was wondering if we could kill two witnesses with one three minute period. Bud Harvey is here from the Bar Association, and the Bar Association and the Realtor's Association agree

REP. MEGNA: He's next in line so bring him up.

EUGENE MARCONI: Thank you.

REP. MEGNA: We'll use three minutes on the both of you by the way. I'm just teasing. Take your six.

ELTON B. HARVEY: Good afternoon, Senator Crisco, Representative Megna and members of the Insurance and Real Estate committee. I'm attorney Elton B. Harvey. I'm an attorney at law and a member and an officer of the Real Property Section of the Connecticut Bar Association. I'm here to represent the Real Property Section.

The section represents more than a thousand real estate attorneys who every day represent consumers in buying and selling homes in Connecticut. The CBA Real Property Law Section opposes Raised Bill 6309. And primarily, our opposition comes from the fact that right now there is no inequity in bargaining power between a buyer and a seller of residential real property in Connecticut. They're free to hire their own attorneys. They're free to go

Testimony of Tom Swan

Executive Director of the CT. Citizen Action Group (CCAG)

February 17, 2011

In Support of SB 11

Good Afternoon, Senator Crisco, Representative Megna, and other members of the Insurance and Real Estate Committee my name is Tom Swan and I am the Executive Director of the Connecticut Citizen Action Group (CCAG). On behalf of CCAG's over 20,000 member families I want to commend you for raising SB 11 AAC the Rate Approval Process for Health Insurance Policies.

Last year's events around Anthem's proposed increases in rates reminded us of the importance of having a rate review process and the need for us to strengthen our laws to ensure that consumers do not continue to be ripped off by health insurance companies. Anthem's actions last year proved that health insurance companies are very much like the old adage about cats licking themselves. That without a strong rate review process insurers will raise rates because they can.

As we approach the first anniversary of the Affordable Care Act we should acknowledge how it has provided additional tools, resources, and incentives for states to protect consumers from health insurance companies' greedy practices.

Our main concern with the Committee Draft of the legislation is the out to the hearing process for individual market products as long as the filing is accompanied by a loss ratio guarantee and a method for reimbursing policy holders is the ratio is not met. We think this could be a factor, but not an out.

For us the key components of the review process need to include:

- Rates cannot go into effect unless they have been approved.
- There should be standard consumer friendly filings that are disclosed on-line justifying any proposed increases.
- Proposed rate increases must include a public notice and a public comment period.
- The standard for review to approve or disapprove rates must be based on a range of factors, including company profits, surplus, rate increase history and affordability for consumers
- Protections for consumers insured under policies no longer being sold.
- At least 60 notice before any increase becomes effective.
- Hearings on both individual and group markets rate changes.
- The ability for consumer, the Health Care Advocate, and the Attorney General to participate, including intervener status, in the hearings.

Once again, thank you for introducing this legislation and we look forward to working with you to make it a reality.



Connecticut Working Families
30 Arbor St. Suite 210
Hartford, CT 06106

February 17, 2011

To the Co-Chairs and members of the Insurance Committee

Testimony in support of S.B. No. 11 AN ACT CONCERNING THE RATE APPROVAL PROCESS FOR HEALTH INSURANCE POLICIES.

Submitted by Lindsay Farrell, Organizing Director

Each year we see two problems with our health care system grow here in Connecticut: health insurance and care costs more, and fewer of our residents have coverage.

The rising cost of health care is just one more squeeze on working- and middle-class families. Families face stagnant salaries and wages as the cost of health insurance is increasingly a burden on employers. Insurers pinch more and more out of a family's budget through higher deductibles, higher co-pays and other methods of passing costs on to families. And many families are forced to either pay exorbitant fees for insurance or simply forego coverage because premiums are too high. All this, while large insurers enjoy record profits.

Public hearings are an effective way to keep health insurance costs down. They give the public a democratic opportunity to put pressure on government officials to prevent health coverage from becoming less affordable and therefore less accessible, and they give transparency to the process of rate increases. Insurers have demonstrated over and over that when unchecked, they pursue profits at the unnecessary expense of businesses and families. Hearings provide a fair system of accountability for insurers at a time when families and businesses need protection from exorbitant rate increases.

When Anthem proposed its most recent rate hike -- a hike of up to 20% on 48,000 policies -- the public hearing gave people an opportunity to weigh in, and to make their voices heard. Dozens testified at the public hearing. When we emailed our own supporters, hundreds more contacted the acting Insurance Commissioner to weigh in against the insurance hikes. Without that public input, the insurance commissioner may make a decision on a premium hike only hearing one side -- the side of the insurance company seeking the hike. This process keeps costs from rising further.

Please support SB11 so that the public is given the opportunity to respond to unreasonable rate increases.



February 17, 2011

Statement
Of
Anthem Blue Cross and Blue Shield
On
SB 11 An Act Concerning The Rate Approval Process For Health Insurance Policies
Before the
Insurance and Real Estate Committee

Anthem appreciates the opportunity to offer our comments about SB 11 An Act Concerning the Rate Approval Process for Health Insurance Policies.

To begin, Anthem Blue Cross and Blue Shield in Connecticut cares deeply about our Connecticut customers and our community and we share concerns about the rising costs of health care services and the corresponding increases in the cost of health insurance coverage, especially in this challenging economy. We also support the goal of this legislation to make the rate review and approval process more transparent and open to the consumer. However, we also feel it is important to state that health insurance rate increases reflect the fact that health care costs continue to escalate faster than the growth of premiums. As provider prices and consumer utilization increase, so must health insurance premiums. If insurers are unable to price premiums to adequately cover these increased costs, they become unable to pay claims on behalf of their members. It is important to remember this basic insurance principle as the committee deliberates action on legislation seeking to regulate the health insurance rate approval process.

The legislature has already provided the Insurance Department with the discretionary authority to hold rate hearings which permits the public to be heard and those persons with standing to participate in the hearing, including the right to cross-examine as we have seen with recent Anthem applications. The legislature has already articulated the actuarial standards against which a rate application must be judged. The Insurance Department has availed itself of its authority in specific circumstances when it has called for hearings.

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We also believe it is important to note that when this legislation was submitted during the last legislative session, the Patient Protection and Affordable Care Act ("PPACA"), federal healthcare reform, had not passed. And when it did pass on March 23, 2010 it contained several components regarding rate review and rate approval processes. The following provisions took effect in 2010 under PPACA:

- Annual rate review ((section 2794(a)(1)) where the Department of Health and Human Services ("HHS") and states would immediately (2010) set up a process for annual review of "unreasonable increases" in premiums.
- Prior justification of rates ((section 2794(a) (2)) where before implementing any "unreasonable increases," insurers have to provide justification of their rates to HHS and states.
- Mandatory publication of rate justifications ((section 2794(a)(2)) where insurers would be required to post rate on their plan websites their justifications for the "unreasonable increases" and HHS would "ensure public disclosure."
- Grants for premium review (section 2794(b)(1)) where states would be given \$250 million in grants to fund their reviews of premiums. Connecticut used its funds to set up an internet site where rate filings and all supporting documentation are available to the public. To date, Anthem has filed two rate requests that are available through the Department's website.
- State reporting requirement (section 2794(b)(1)) where states participating in the grant program would report to HHS about premium increase trends and, based on that information, make recommendations to HHS on which insurers to include in the exchanges.
- Limits on medical loss ratio ("MLR") (section 2718(b)(1)) which includes a MLR of 80% in the individual and small group markets, 85% in the large group market (or higher % set by states). Starting 2011, requires loss ratio reporting for MLRs below required levels. Applies to new and grandfathered plans.
- Consumer rebates (section 2718(b)(1)) where consumer rebates are required if MLR standards are not met.

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The following provisions become effective in 2014:

- **Detailed federal rating rules (section 2701)** where all premiums will be community-rated (no health status adjustments), premium variations limited to age, family size, tobacco use, and geography.
- **Premium increases can lead to Exchange exclusion (section 1311(e)(2))** where Exchanges are required to consider the reasonableness of premium increases when deciding plan participation.
- **Mandatory rate review comparison inside/outside Exchanges (section 2794(b)(2))** starting in 2014, HHS and states would begin comparing premium increase trends in Exchange plans vs. non-Exchange plans.
- **Justification of any rate increase (section 1311(e)(2))** where plans would have to submit justification to the Exchanges for any premium increase (“reasonable” or not) prior to implementation.
- **Mandatory publication of any rate increase and justification (section 1311(e)(2))** where plans must post rate increases and justifications on their websites.
- **Rate increase justifications can impact Exchange inclusion or exclusion (section 1311(e)(2))** where justifications help determine whether to include or exclude plans.
- **Mandatory transparency (section 1303(e)(3))** where transparency requirements are placed on reporting cost-sharing, claims payment, denials, rating, and finances.

As you can see from the long list of PPACA provisions related to rate review and justification of rates, any potential issues have been addressed. To pass state legislation with provisions in conflict with PPACA would set up a dynamic in which separate requirements would need to be met to reach the same goal. This direction would serve only to increase the administrative burden on the Insurance Department, health plans and, ultimately, costs to the purchasers of healthcare coverage.

We thank the Committees for the opportunity to comment on this legislation, and we are available to assist legislators in their deliberation of this legislation and to provide further information.

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Kate Kleman
Senior Counsel, State Relations

Testimony of the American Council of Life Insurers
Before the Insurance and Real Estate Committee
Thursday, February 17, 2011

Senate Bill 11- An Act Concerning the Rate Approval Process for Health Insurance Policies

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in opposition to Senate Bill 11 - An Act Concerning the Rate Approval Process for Health Insurance Policies. The requirements of Senate Bill 11 are particularly problematic for insurance companies offering disability income insurance and long-term care insurance products to Connecticut consumers. ACLI member companies provide the majority of disability income insurance and long-term care insurance coverage in force in Connecticut.

Rate Filings, Prior Approval and Public Notice

ACLI member companies are sensitive to the impact that rate increase filing requests have on consumers, however, we do not agree that the process as outlined by Senate Bill 11 will benefit disability income insurance and long-term care policyholders. In the end, this legislation may simply result in fewer of these products being sold in the state. This outcome would be bad for both consumers and businesses.

We would like to take this opportunity to specifically address some of the rate filing provisions required by Senate Bill 11 which are problematic to disability income insurance and long-term care products. First, the legislation requires that rates be filed at least 120 days prior to their proposed effective date. This 120 day prior filing requirement, coupled with a required hearing (addressed elsewhere in the legislation), will only add to the time delay between quote date and effective date, which means that a significant lag could exist in implementing new rates. For insurers that file lower rates, the lag would seem to mean that Connecticut consumers would continue to be sold higher rate products. This appears to be costly and confusing and seems to serve little if any purpose.

In addition, rate filings provide actuarial documentation supporting the need for the increase and comply with statutory requirements for such filings. Depending on the insurance product design, some of the information that has to be considered includes claims experience, voluntary lapse rates, mortality rates, investment earnings both on an anticipated and actual basis and credibility of experience. The Connecticut Insurance Department staff that is assigned to review rate filings have the necessary actuarial expertise to handle the analysis of whether a rate increase is justified.

Some of the components of rate filings include competitive data, such as level of reserves, which may be considered trade secrets. These provisions should be subject to confidentiality which the legislation does not address. The proposed process would open these components to third parties including other insurance companies, thereby threatening the confidentiality that is required for competitive and anti-trust reasons.

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The legislation also requires individual notice to insureds. For group insurance, requiring notices at the insured level will be problematic. Most group insurers of disability income and long-term care insurance products do not have insureds' addresses until submission of actual claims.

Furthermore, the first class mail requirement would undo companies efforts towards a web based customer service system, where information is kept up to date real-time on a website. This is the optimal method of information delivery from both an environmental and efficiency perspective.

Public Hearings

The current definition of "health insurance" in Connecticut code contains approximately sixteen insurance products, including disability income and long-term care insurance. The proposed legislation would require public hearings for all these insurance products for both individual and group. This equates to over 32 unique insurance products that the Connecticut Insurance Department would have to accommodate for hearings. If just ten companies from each product line requested rate increases, that would mean 320 hearings. These rate increases could be minimal and simply as an adjustment in product design, yet would still be captured by the extensive process required by Senate Bill 11. We question the necessity to require insurance products, for example disability income insurance, to go through a public hearing when new product designs are introduced that would require a need for new prices. Some products might have small rate increases due to common index inflation increases and thus the warranting of a hearing seems to not add any value to the consumer, the Insurance Department, or insurer. Disability income and long-term care insurance products are not the focus of the federal health care reform debate. We question the goal of legislation that requires unnecessary costs, time, and delays for Connecticut businesses.

With respect to group insurance in general, rating is often based on the combination of manual rates combined with an employer group's claims experience and the overall composite rate applies specifically to that employer. Any mandated rate increase hearing for a group insurance product would seem to accomplish nothing.

Conclusion

As stated in previous testimony, we believe that the Insurance Department has done its job in balancing the needs of the companies and consumers, and that each rate increase filing request is handled with due diligence. We do not see the need to radically change the process. If the Insurance Department believes that it needs additional resources, we would support the outsourcing of certain product filings to actuarial consultants with the cost charged to the companies.

Thank you for considering our position in opposition to Senate Bill 11 regarding the rate approval process for health insurance policies. Please contact Kate Kiernan at 202-624-2463 with questions.

ACLI is a trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 242 ACLI member companies licensed to do business in Connecticut, accounting for 91 percent of the ordinary life insurance in force in the state.



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

**Testimony of The
Connecticut Insurance Department**

**Before
The Insurance and Real Estate Committee**

February 17th, 2011

**Senate Bill 11—An Act Concerning the Rate Approval Process for Health
Insurance Policies**

Senator Crisco and Representative Megna, committee co-chairs and ranking members, and Members of the Committee, the Insurance Department appreciates the opportunity to submit written testimony on Senate Bill 11.

Of all the responsibilities we have as a regulatory agency, there are none more important or that has a greater direct impact on the consumers and families of Connecticut than that of reviewing and possibly approving rates that will affect their budgets each and every month. It is a responsibility we carry out with careful detail and professionalism, using sound and accepted actuarial standards. We are clearly mindful of the cost of health insurance and its impact on consumers in this economic climate. 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.

Our mission as regulators is one of great balance – protect consumers and yet ensure that there is a viable, robust and competitive market from which they can choose. We have that market in Connecticut. Unlike other states that have extremely limited choices, Connecticut has eight companies writing individual major medical health insurance.

There is widespread agreement in this room and in the halls of the Legislature that state government must support commerce while being as cost-effective and efficient as possible. The Governor has emphasized this countless times, as has leadership on both sides of the aisle.

That is why it is important to realize that as we sit here now, Connecticut does have a very cost-effective, efficient and transparent method for reviewing rates, one that invites and accepts public comment. Our rate review system has been singled out by the U.S. Department of Health and Human Services as an effective process.

However, Commissioner-designate Leonardi clearly recognizes the concerns raised by the public, members of this Committee and other state officials over the rate review process last fall. He has questions as well.

It is his intent to fully understand the process, including what decisions and standards were applied in each case. To that end, the Commissioner-designate respectfully requests that the Committee delays moving forward with the bill at this time to give him the opportunity to conduct a top-to-bottom review of the rate review process.

In fairness to Commissioner-designate Leonardi, who will begin his new position next month, the Insurance Department asks that the Committee grant him the time he needs for his thorough review.

It is his hope that you will grant him the time to get the answers to his questions about the inner-workings of the agency that Governor Malloy has entrusted him to lead.

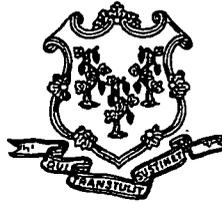
After a comprehensive scrutiny of the rate review process, Commissioner-designate Leonardi welcomes the opportunity to appear before you, to report his findings and ultimately work with each and every one of you going forward.

Finally, Commissioner-designate Leonardi wants to strongly impress upon this Committee that he is committed to ensuring that the agency operates in a professional and highly responsive manner.

Thank you for the opportunity to submit comments on SB 11.

SENATOR MARTIN M. LOONEY
MAJORITY LEADER

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February 17, 2011

Good afternoon Senator Crisco, Representative Megna and members of the Insurance and Real Estate Committee. I am here to testify in support of SB 11, AN ACT CONCERNING THE RATE APPROVAL PROCESS FOR HEALTH INSURANCE POLICIES.

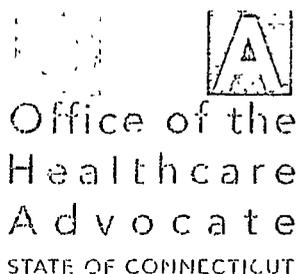
This legislation would establish procedures for a hearing for rate or amount filings made for certain health insurance policies, and would authorize the Healthcare Advocate and the Attorney General to be a party to any such hearing. I proposed a bill similar to this one and I am pleased that the Insurance Committee has raised this important bill. Health insurance costs have risen at a higher rate than inflation for some years and it is important that the corporations that offer this insurance be required to justify their rate increases. We need to know that they are doing more than increasing corporate profits at the expense of our citizens.

The federal Affordable Care Act requires that in 2011, all insurers seeking rate increases of 10 percent or more in the individual and small group market publicly disclose the proposed increases and the justification for them. These increases will be analyzed to determine whether they are unreasonable but will not be presumed

unreasonable. After 2011, a state-specific threshold will be set for disclosure of rate increases, using data specific to that state.

Under the proposed federal regulation, states with effective rate review systems would conduct the reviews. If a state lacks the resources or authority to do thorough actuarial reviews, HHS would conduct these reviews for that state. HHS will make resources available to states to strengthen their rate review processes and will post information about the outcome of all reviews (both those conducted by the state and by HHS) for increases above 10 percent. The justification provided by insurance companies for those increases determined to be unreasonable will also be posted. In addition, the insurance plan will have to make its justification for a rate increase available on its own website.

As we go forward we must keep the federal requirements in mind; I believe that our state would benefit most if Connecticut's rate review system met the federal requirements such that Connecticut would be permitted to perform its own rate reviews rather than having the reviews done by HHS. It might be advantageous for Connecticut to create a trigger for the rate review which is compatible with the federal regulation. If this legislation needs additional limitations, it could be restricted to individual and small group plans as the larger group plans have a better negotiating position vis-à-vis the insurance companies. I look forward to working with you on this important issue. Thank you.



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**Testimony of Victoria Veltri
Acting Healthcare Advocate
Before the Insurance and Real Estate Committee
SB 11
February 17, 2011**

Good afternoon Senator Crisco, Representative Megna, Senator Kelly, Representative Coutu and the members of the Insurance and Real Estate Committee. For the record, I am Victoria Veltri, the Acting Healthcare Advocate. The mission of the Office of the Healthcare Advocate is: assuring managed care consumers have access to medically necessary healthcare; educating consumers about their rights and responsibilities under health insurance plans; and, informing you of problems consumers are facing in accessing care and proposing solutions to those problems.

Today I testify in support of the concept of SB 11, but with concern as to the sweeping nature of the bill. As you know, OHA brought a bill to you last year to bring some accountability to the rate review process. That bill underwent significant revisions and made it to the House floor as an amendment to HB 5090. OHA believes that last year's bill that passed the House should be the starting point for negotiations on a workable rate review bill.

SB 11 contains some good features of last year's amendment to HB 5090, including transparency requirements for the rate filings, notice to policyholders of a requested rate increase—although HB 509's notice requirements were more complete, a public comment period, and factors that must be considered when evaluating whether a rate is excessive.

However SB 11 contains provisions that OHA believes would make a public-involved rate review process unworkable. First SB 11 applies to all rate filings, group and individual. We think this is excessive. When we first came to the legislature seeking some form of public participation in rate review, we requested that only individual policies be subject to our proposed bill. We think that is still the proper scope.

Second, OHA agreed last year that not all rate filings should be the subject of a public hearing. In fact, we worked with the committee to try to develop an appropriate rate request that once hit, would trigger a hearing. Further, we suggested that there not be a hearing unless OHA requested a hearing. SB 11 requires a hearing in all cases regardless of the level of rate increase sought and whether OHA requests a hearing. We think the failure to have a trigger and not to further require OHA to request a hearing would make

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STATEMENT
INSURANCE ASSOCIATION OF CONNECTICUT
Insurance and Real Estate Committee
February 17, 2010
SB 11, An Act Concerning The Rate Approval Process
For Health Insurance Policies

The Insurance Association of Connecticut (IAC) opposes SB 11, An Act Concerning The Rate Approval Process For Health Insurance Policies, as it would have a negative and counterproductive effect on the insurance marketplace in Connecticut.

SB 11 would apply the new rate approval provisions of section 6 to all types of "health insurance," as defined in C.G.S. 38a-469. This would include fifteen different types of insurance products, including long-term care (LTC) and disability income (DI) insurance.

SB 11 would create a host of problems that would be detrimental to the LTC and DI insurance marketplace. By requiring the filing to be made at least 120 days ahead of the intended effective date in order to account for the various new steps in the rate approval process, the extraordinarily long gap between filing and implementation will only serve to make the insurer's actuarial determinations more difficult.

SB 11 would require a mandatory public hearing and opportunity for public comment for such rate filing. We know of no other state that requires public hearings on rate filings for DI or LTC insurance. Members of the public will inevitably take the opportunity to comment that they do not want rates to go up, but that should not be dispositive relative to the legitimacy of the filing.

Rate filings are highly complex, and contain various actuarial documents and formulas. Judgments on the facts presented and calculations made in a filing should be the province of the regulator, who has the background and expertise to consider the filing objectively. Subjective input from the public would likely add nothing to the proper consideration of a filing. In addition, group insurance is often experience rated, which would make public hearing comments from individuals non-productive.

By requiring the posting on the internet of all filed "documents, materials and other information", SB 11 would improperly require the exposure of an insurer's proprietary information, which could compromise the competitive position of the insurer. This would only serve as another disincentive to write DI and LTC business in the state, which would have negative consequences for consumers.

SB 11 would require insurers to notify individuals covered by group insurance of the rate filing and the opportunity to comment on it. DI and LTC insurers do not have home address information for insureds in a group until a claim is actually filed under the policy.

SB 11 would require all rate filings for fifteen different types of insurance coverage, for both individual and group products, to be subject to the new approval process of section 6. This will place an extraordinary, if not impossible, burden on Insurance Department staff. Given that burden, it is highly likely the timing requirements of section 6 will not be met, and the Department's capacity to perform its numerous other functions will be compromised.

The Insurance Department has clearly demonstrated over the years that it can properly exercise its authority to regulate rates concerning LTC and DI insurance products. In fact, this committee held a hearing recently where the Department outlined the exacting standards and procedures it uses to review a LTC filing.

SB 11 would only serve to add unnecessary input and delays and increased costs to the regulatory process, and create disincentives for LTC and DI insurers to compete for business in this state. The best interests of purchasers of LTC and DI products in this state would not be served by the passage of SB 11.



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Testimony of Jennifer Hatch, Program Associate
Connecticut Public Interest Research Group (ConnPIRG)

Before the Connecticut General Assembly Insurance and Real Estate Committee

February 17, 2011

Testimony Regarding S.B. 11, "An Act Concerning the Rate Approval Process for Health Insurance Policies"

Senator Crisco, Representative Megna, Members of the Committee,

Thank you for the opportunity to offer testimony regarding S.B.11, An Act Concerning the Rate Approval Process for Health Insurance Policies. ConnPIRG is a statewide member-supported consumer advocacy organization that stands up to powerful interests, working to win concrete results for the health and well-being of Connecticut's residents. We've worked nationwide to rein in the soaring costs of health care for individuals and small businesses, and a vigorous process for considering health insurance rate increases is a key measure to controlling costs.

Last year's approval of Anthem's excessive 47% rate hike highlights the necessity of strengthening our rate approval process. Our sister organizations in California and Oregon have been instrumental in establishing and strengthening rate review systems in those states, and Connecticut should adopt some features of those states' systems in improving our own.¹ There are two critical principles for a strong rate review system that can address the rising cost of our healthcare system and protect residents from excessive rate increases:

1. Regulators must set strong standards and push insurers to lower premiums and improve the quality of coverage.

In order to raise premium rates, health insurance companies must meet high standards showing they are operating as efficiently as possible, that they are making an effort to cut wasteful spending, and that any rate hike is necessary, justified and not excessive.

In deciding whether to approve or reject an application for rate increase, regulators should have the authority and the mandate to take all considerations into account, making a holistic determination. In particular, the costs of an insurer's inaction or bad practices should not be passed onto the consumers – specific examples would include cases where insurers continually fail to adopt cost-saving reforms, set their administrative expenses to increase faster than the Consumer Price Index, or increase rates to recoup the costs of being required to pay fines or damages for bad behavior.¹¹

2. Require Transparency and Public Participation

The process for approving insurance rate increases should be open to increased transparency and accountability. Connecticut's consumers and businesses must have

the opportunity to weigh in through a public comment period or public hearing before a rate increase is approved. To make this participation meaningful, the entirety of insurers' rate filings should be made publically available. Furthermore, the Attorney General and the Healthcare Advocate should be made a party to the rate review process, with full access to information and the authority to examine witnesses relating to the proposed increase.

We feel that S.B. 11 addresses both of these main principles and we offer the following comments regarding specific sections of the bill.

With respect to setting strong standards to push for lower premiums and better quality:

We support the deletion of Section 1, subsections d, e and f of the bill (lines 46-118 inclusive), as the filing of a satisfactory loss ratio guarantee does not eliminate the possibility of an excessive rate increase. Striking these subsections and defining "excessive" as outlined in Section 6, beginning on line 307, offers stronger protection for consumers and a more vigorous effort to actually reduce wasteful spending.

The bill would be improved by further specifying the information insurers are required to provide when filing for a rate increase, to give the regulators more comprehensive information as they evaluate whether to accept or reject a proposed increase. A recent California law, enacted in September 2010ⁱⁱⁱ, listed 24 such requirements, including enrollment and rate changes broken down product by product, a breakdown of how the insurer determined medical trend, and changes in benefits, cost-sharing and administrative costs. The following list is the language from that law, and we submit this as an example for how these elements could be adopted in Connecticut:

- b). A plan shall disclose to the department all of the following for each individual and small group rate filing:
- (1) Company name and contact information.
 - (2) Number of plan contract forms covered by the filing.
 - (3) Plan contract form numbers covered by the filing.
 - (4) Product type, such as preferred provider organization or health maintenance organization.
 - (5) Segment type.
 - (6) Type of plan involved, such as for profit or not for profit.
 - (7) Whether the products are opened or closed.
 - (8) Enrollment in each plan contract and rating form.
 - (9) Enrollee months in each plan contract form.
 - (10) Annual rate.
 - (11) Total earned premiums in each plan contract form.
 - (12) Total incurred claims in each plan contract form.
 - (13) Average rate increase initially requested.
 - (14) Review category: initial filing for new product, filing for existing product, or resubmission.
 - (15) Average rate of increase.
 - (16) Effective date of rate increase.
 - (17) Number of subscribers or enrollees affected by each plan contract form.
 - (18) The plan's overall annual medical trend factor assumptions in each rate filing for all benefits and by aggregate benefit category, including hospital inpatient, hospital outpatient, physician services, prescription drugs and other ancillary services, laboratory, and radiology. A plan may provide aggregated additional data that demonstrates or reasonably estimates year-to-year cost

increases in specific benefit categories in major geographic regions of the state. A health plan that exclusively contracts with no more than two medical groups in the state to provide or arrange for professional medical services for the enrollees of the plan shall instead disclose the amount of its actual trend experience for the prior contract year by aggregate benefit category, using benefit categories that are, to the maximum extent possible, the same or similar to those used by other plans.

(19) The amount of the projected trend attributable to the use of services, price inflation, or fees and risk for annual plan contract trends by aggregate benefit category, such as hospital inpatient, hospital outpatient, physician services, prescription drugs and other ancillary services, laboratory, and radiology. A health plan that exclusively contracts with no more than two medical groups in the state to provide or arrange for professional medical services for the enrollees of the plan shall instead disclose the amount of its actual trend experience for the prior contract year by aggregate benefit category, using benefit categories that are, to the maximum extent possible, the same or similar to those used by other plans

(20) A comparison of claims cost and rate of changes over time.

(21) Any changes in enrollee cost-sharing over the prior year associated with the submitted rate filing.

(22) Any changes in enrollee benefits over the prior year associated with the submitted rate filing.

(23) The certification described in subdivision (b) of Section 1385.06. *[note: this is an actuarial certification]*

(24) Any changes in administrative costs.

data c) A health care service plan subject to subdivision (a) shall also disclose the following aggregate for all rate filings submitted under this section in the individual and small group health plan markets:

(1) Number and percentage of rate filings reviewed by the following:

- (A) Plan year.
- (B) Segment type.
- (C) Product type.
- (D) Number of subscribers.
- (E) Number of covered lives affected.

(2) The plan's average rate increase by the following categories:

- (A) Plan year.
- (B) Segment type.
- (C) Product type.

(3) Any cost containment and quality improvement efforts since the plan's last rate filing for the same category of health benefit plan. To the extent possible, the plan shall describe any significant new health care cost containment and quality improvement efforts and provide an estimate of potential savings together with an estimated cost or savings for the projection period.

Secondly, with a view to assisting regulators identify proposals that are likely to be problematic, we recommend that increases in administrative costs which exceed the rate of general inflation be considered an important factor in suggesting the increase is not reasonable. We further recommend sufficient justification that the increases are necessary and appropriate, or that such increases contribute to an increase in the quality of care provided.^{iv}

We also recommend the establishment of guidelines for cases where insurers have had to pay out a significant regulatory fine or legal damages, as these financial losses should come out of profits, rather than being used as an excuse by the insurer to raise rates.

With respect to transparency and public participation:

We support Section 6a of the bill beginning on line 269, to provide online public access to documents related to the requested increase, as well as both a written public comment period and a public hearing for proposed rate increases. These provisions are robust opportunities for consumer involvement and not only guard against bad practices that can inflate rates, but also promote consumer confidence in insurance products.

With respect to Section 6 of the bill, beginning at line 284, we support the concept of public hearings regarding proposed rate increases, but feel that requiring a public hearing on each rate increase could be burdensome for regulators, forcing them to conduct hearings on increases that might affect only a few consumers, be relatively small and affordable, or represent technical changes in rating rules to comply with changes in state or federal law. The volume of such hearings could prevent regulators from devoting their resources to more important rate increases, where deeper review and more robust consumer participation is essential.

To concentrate regulatory efforts on the proposals that are most likely to have negative consumer impact, we suggest that the Insurance Commissioner set, each year, a specific, reasonable threshold above which all increases will receive a public hearing, and below which a public hearing may be held at the discretion of the Insurance Commissioner or at the request of the Attorney General or Healthcare Advocate. This allows consumers the opportunity to be heard on rate increases that are likely to be excessive, unreasonable, or pose an undue burden on consumers.

Furthermore, we support the provisions in Section 7 authorizing the Attorney General and the Healthcare Advocate to be parties to any hearing in regards to an insurance rate increase, as well as the measures to ensure full access to information and cooperation with these parties, to ensure a thorough review process with a strong voice for consumers.

On behalf of our members and all Connecticut's consumers, I urge the Committee to adopt these measures to create a more vigorous, transparent rate review process that allows both the general public and the Attorney General and Healthcare advocate, on their behalf, to take a comprehensive look at proposed rate increases, and help combat the rising costs of health care.

Thank you for the opportunity to share these comments, and I look forward to working with the Committee on this and other issues throughout the session.

Jennifer Hatch
ConnPIRG

¹ California State Legislature. Senate Bill 1163, Adopted September 30, 2010; Available at: http://info.sen.ca.gov/pub/09-10/bill/sen/sb_1151-1200/sb_1163_bill_20100930_chaptered.pdf

¹¹ Michael Russo, Keeping Insurers Honest: How California Can Stop Unreasonable Insurance Premium Hikes, California Public Interest Research Group, May 2010. Available at: <http://www.calpirg.org/home/reports/report-archives/health-care/health-care/keeping-insurers-honest>

¹² California State Senate Bill 1163. 6-8.

¹³ Laura Etherton, Premiums on the Rise: An Analysis of Health Insurance Premium Increases and Small Businesses in Oregon, Oregon State Public Interest Research Group, May 2009. Available at: <http://www.ospirg.org/home/reports/report-archives/health-care/health-care/premiums-on-the-rise-an-analysis-of-health-insurance-premium-increases-facing-individuals-and-small-businesses-in-oregon>

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My name is Jamie Mott. I grew up middle-class the San Francisco Bay Area, California, I went to a good college and graduated with honors. As a young person, I would've never have pictured myself ending up with a chronic disability. However, towards the end of college I developed a repetitive strain injury in both arms and after 12 years I am still in unrelenting chronic pain.

I am currently not able to use my hands for work because any repetitive motion flares up my chronic injury. Still, I am determined to try to work part-time teaching citizenship classes at the Hartford public Library with the help of voice activated software. Because I try to work and I have limited medical records because I can't afford to pay out-of-pocket to see specialists, it makes it very hard for me to get onto the Social Security disability program which provides medical insurance to the disabled.

I am here to represent myself and my many disabled friends who physically cannot work full-time to get health insurance, who cannot get medical benefits from Social Security because of red tape and so are forced to buy private insurance.

For about eight years, I was living at home at my parents just so I could pay for insurance and out-of-pocket medical costs that comprised at least 70% of my income. Now I live in low income housing and have a large amount of disability related debt.

As we've watched the behavior of the health insurance companies in the last decade we've witnessed that they have no shame. We have learned first-hand that without solid consumer protections they will take away both the health and the savings of Americans. That is why it is so important to pass SB 11 so that insurance companies can't raise rates however they please without any public accountability.



CITIZENS FOR ECONOMIC OPPORTUNITY
Corporate Responsibility Campaign

S.B. 11 - An Act Concerning the Rate Approval Process for Health Insurance Policies

My name is Karen Schuessler and I am the Director of Citizens for Economic Opportunity (CEO). CEO is a coalition of community and labor groups addressing health care reform and corporate responsibility.

I strongly support S.B. 11 and urge there to be procedures for hearings for rate increases. This will ensure more transparency and accountability of insurance companies.

This legislation is important for several reasons. Even though the Affordable Care Act is bringing relief to people all over the country and providing affordable health care coverage to millions, insurance companies are still raising their rates and making health coverage unaffordable to many.

Health and Human Services Secretary Kathleen Sebelius has proposed new rules that regulate the disclosure of HMO rate increases. Starting next year every time a health plan proposes a premium rate hike of 10% or more for individual or small group plans they must submit them to the federal agency with actuarial justification. State regulators and the federal government will review whether the rate increase is justified. If the rate increase is not justified, federal regulators will advise the state to block the increase and if the state does not have that power, HHS will post its review online to pressure the HMO to back down. However, HHS has no power to block an increase. The state will be the one determining whether to block an increase. Secretary Sebelius has suggested that consumers contact their state legislators and told ABC news "Demand those laws be changed. They should contact the Governor of their state, and the state legislature demanding those laws be changed."

In October, 2010 Commissioner Sullivan approved a 47% rate hike for Anthem and blamed the increase on federal care reform. Citizens for Economic Opportunity (CEO) sent a letter to Governor Rell asking her to replace him with a more consumer oriented commissioner. CEO also held a press conference urging the commissioner to resign. There was widespread media coverage and it was only then that Commissioner Sullivan agreed to hold a hearing for proposed Anthem rates hikes of nearly 20% that were to become effective in January 2011. Commissioner Sullivan resigned a week after the press conference. A hearing was held on November 17 and CEO organized a silent protest. Again there was widespread media attention and the Acting Commissioner denied Anthem's rate hike request. The point is that there is no federal or state law requiring more public hearings. The hearing was only held because the public demanded it and in the end the acting insurance commissioner agreed that Anthem's rate request for January 1, 2011 was not justified. This is proof that public hearings allow a more detailed analysis process and can lower the costs of unjustified premium hikes to consumers.

In addition, Connecticut has received a grant from the Department of Health and Human Services to ensure a more transparent rate review process. One of the goals of the grant is to "hold insurance companies accountable for unreasonable rate hikes," which means this grant can be used for public hearings.

I urge you to pass this bill to ensure that Connecticut has a transparent system that provides an affordable, sustainable health care system for all of its residents.

Karen Schuessler
Director
Citizens for Economic Opportunity
860-674-0143



Quality is Our Bottom Line

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**Insurance Committee Public Hearing
Thursday, February 17, 2011**

Connecticut Association of Health Plans

Testimony regarding

SB 11 AAC The Rate Approval Process for Health Insurance Policies.

The Connecticut Association of Health Plans understands the Committee's desire for oversight and transparency around increases in health insurance rates and the Association would be happy to continue a conversation with all interested parties about how best to accomplish these goals.

At present, we will reserve comment on any particular aspect of the various proposals currently before you except to say that it is of paramount importance that any rate review process be based on actuarial soundness and not be subject to an arbitrary analysis. In order for any insurance product to deliver on its promise of coverage, it needs to be priced appropriately otherwise it will cease to exist. We urge the Committee to proceed cautiously in considering SB 11. The potential for unintended consequences is significant and we welcome the opportunity to work with the Committee to make sure that they're avoided.

Thank you for your consideration.



CONNECTICUT AFL-CIO

56 Town Line Road, Rocky Hill, CT 06067

860-571-6191

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Ln. 17

Testimony of Lori Pelletier

Secretary-Treasurer of the Connecticut AFL-CIO

Before the Insurance and Real Estate Committee

Karen S.
Spoke for Lori

February 17, 2011

Senator Crisco and Representative Megna and members of the Insurance and Real Estate Committee, I am Lori Pelletier and I serve as the Secretary-Treasurer of the Connecticut AFL-CIO, and I'm here to testify on behalf of the 900 affiliated local unions who represent 220,000 working women and men from every city and town in our great state.

I am here to testify in support of the following bills:

S.B. No. 11 (COMM) AN ACT CONCERNING THE RATE APPROVAL PROCESS FOR HEALTH INSURANCE POLICIES. (INS) Since the convening of this legislature last month, and again just yesterday in Governor Malloy's budget address the phrase repeated most often is about shared sacrifice and making government more accountable. Well this bill embodies that phrase. When all workers are being asked to sacrifice, and to give back to help make Connecticut more business friendly, it is so ironic that the very businesses that are driving up costs for both government and private industry are our health insurance rates.

This bill is simple, if rate increases are needed then it should be very simple to come before the legislature and demonstrate the need. When workers are injured on the job, or catch a disease because of their profession they have to go through a process to be compensated for the injury/disease. Let's open up this process of insurance rate increases to the light of day. It's good public policy.

S.B. No. 922 (RAISED) AN ACT CONCERNING NOTIFICATION OF THE SERVICES OF THE OFFICE OF THE HEALTHCARE ADVOCATE. Over the past few years the office of the Healthcare Advocate has been an effective resource for consumers. The only hindrance to helping even more people has been the level of awareness for the agency. This legislation is for the Office of Healthcare Advocate is nothing more than the organ donor information contained in your license renewal. It's just 4-1-1.

Thank you to the Committee for holding this public hearing and we look forward to working with the General Assembly on making these bills become law.

PRESIDENT

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SECRETARY-TREASURER

Lori J. Pelletier

EXECUTIVE VICE PRESIDENT

Salvatore Luciano

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Paul Wallace

Kurt Westby

Anthony Zona

Testimony of the
Connecticut ENT Society
Connecticut Urology Society
Connecticut Society of Eye Physicians
Connecticut Dermatology and Dermatologic Surgery Society

In SUPPORT of

S.B. No. 11 (COMM) AN ACT CONCERNING THE RATE APPROVAL PROCESS FOR HEALTH INSURANCE POLICIES
To the Insurance and Real Estate Committee

On February 17, 2011

More than 1200 Connecticut physicians represented by the above societies would like to express their support of SB 11 An Act Concerning the Rate Approval Process for Health Insurance Policies to the Insurance and Real Estate Committee.

We would like to thank this committee for again raising a bill for public hearing that physicians believe is long overdue, a bill that will bring more transparency to healthcare by providing insight into the process and rationale that managed care organizations use to support their requests to increase consumer premiums. Physicians, the engines that drive the delivery of healthcare to the citizens of Connecticut, are perplexed and dismayed when they see payment rates for medical care by physicians and hospitals go down year after year while their expenses go up and MCO profits steadily increase. In addition to this untenable situation, patients' co-payments, deductibles, and premiums also continue to rise. How this combination of events is justified is an accounting mystery, even to those most intimately involved with our healthcare system. Physicians also suffer on the expense side of this issue, as small businessmen who must annually shoulder drastic and often exorbitant premium rate increases to provide insurance with ever-decreasing coverage for their employees as well as our families.

The bottom line is that we strongly support any legislation that will allow Americans to get better quality care, with fewer errors, for a justifiable premium price. The Honorable Alex M. Azar II, an administrative spokesperson during the last administration, reported that Americans then spent about \$1.9 trillion on health care annually, 16 percent of our GDP, and health care spending continues to grow at a rate that poses increasing challenges to the rest of our economy, particularly as we struggle through the worst economic downturn in our lives. Healthcare costs are growing more rapidly than the general rate of inflation and three times faster than wages, and it is projected that if this trend continues, by 2015, we will be spending as much as 20 percent of our GDP on health care, and most worrisome of all is that this is increasingly for reasons that are not intrinsically related to the value delivered by the system. Clearly, we need solutions for this escalating problem, but solutions will be impossible unless we are given the critical information from the managed care industry on medical loss ratios. Connecticut should also mandate clarity on why insurers feel that their continued increases in premiums are justifiable in the face of their ongoing efforts to decrease spending on patients' medical expenses and to increase their profits. Connecticut's patients, employers, and citizens need transparency regarding insurer policies, and the only way to achieve this end is to pass legislation that provides a process for evaluating their data in a meaningful and unbiased way.

We physicians thank you for your consideration of such an important bill, and we hope you will continue to support legislation that leads to true transparency in the healthcare industry.

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**CONNECTICUT
GENERAL ASSEMBLY
SENATE**

**PROCEEDINGS
2011**

**VOL. 54
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5861 - 6210**

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Thank you, Madam President. A few additional items to mark at this time.

Madam President, the next item, Calendar page 40, Calendar 157, Senate Bill Number 11 is marked go.

THE CHAIR:

So ordered.

SENATOR LOONEY:

And calendar page 38, Calendar 72, Senate Bill 361 from the Labor Committee, is marked go.

THE CHAIR:

So ordered.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, Calendar page 48, Calendar 401, Senate Bill 1098 from the Judiciary Committee is marked go. And calendar page 45, Calendar 353, Senate Bill 415 from the Public Health Committee is marked go at this time.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Madam President, calling from calendar page 40, Calendar 157, substitute for Senate Bill

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Number 11, AN ACT CONCERNING THE RATE APPROVAL
PROCESS FOR CERTAIN HEALTH INSURANCE POLICIES,
favorable report of the Committees on Insurance and
Appropriations.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Thank you, Madam President.

Madam President, I move for acceptance of the
joint committee's favorable report and passage of
the bill.

THE CHAIR:

Approval of the bill. Please proceed, sir.

SENATOR CRISCO:

Thank you, Madam President.

Madam President, the Clerk has an amendment,
LCO 8238. I request that it be called and I move
its adoption and be given permission to summarize.

THE CHAIR:

Mr. Clerk will you call the amendment, please.

THE CLERK:

The Clerk is in possession of LCO Number 8238,
which shall be designated Senate Amendment Schedule
"A." And this is introduced by Senator Crisco of

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the 17th, Senator Looney and Representative Megna.
Copies of which have been distributed.

THE CHAIR:

The question is on adoption.

Will you remark further, sir?

SENATOR CRISCO:

Yes, Madam President.

Before I summarize, I also like to request a
roll call vote.

THE CHAIR:

A roll call vote will be approved.

SENATOR CRISCO:

Thank you, Madam President.

Madam President, this is an issue I personally
feel is so vital to the people of Connecticut, and
so important to the circle and the House. It has
to deal with the explosion sometimes of rate
increases in health insurance and long-term care.

Madam President, for example, in the past two
years in health insurance and HMO rate increases,
in two years, there was 104 rate requests, 66
approved and two public hearings. And I believe
that our Insurance Committee played an instrumental
role in at least having one of those public

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hearings heard. In regards to long-term care, so vital to the people of Connecticut, but in particular our senior citizens, there was over a four-year period 107 rate increases, 37 approved and no public hearings.

Madam President, some years ago we were honored in the circle to have a colleague by the name of Senator Penn, who has since left us, and I used an analogy at the time, Senator Penn was an advocate for a situation of young man who had a winning lottery ticket, but because of time elapsing he couldn't get it rewarded. And there was a chant that came around the circle and in the halls of this House, you know, give the kid the bill. Give the kid of money. I can always hear that and I can transform that into what this bill is all about. And what it's all about, ladies and gentlemen and members of the circle, is give the people a rate hearing, give the people a public hearing on the extraordinary unbelievable rate increases, sometimes as high as 40 percent in long-term care.

We have a great respect for our department, for our industry and we made every attempt to try

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to reach a balance that we achieve our goal. And the way we do that, we put into language a trigger, a trigger of 10 percent plus the calling for a public hearing by either the Healthcare Advocate or the Attorney General. And we do the same thing for long-term care. Again, proceeding very, very carefully. Now, this doesn't have to happen. It does not take away the power of the commissioner to have public hearings. And you'll find that as we proceed and if this amendment is adopted I have another amendment which sunsets the provisions in this bill.

Madam President, we've had traumatic impact upon the lives of many people in the State of Connecticut, not only those who aren't senior citizens, but also senior citizens. This is a time for us to take this appropriate action. And let me state, Madam President and members of the circle, this does not preclude the commissioner of insurance from having a public hearing on a specific bill. We've taken the -- we've made the effort to cap the number of public hearings in health care and also in long-term care. We've gone through great efforts to try to come to a happy

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medium where the clamoring, the call from people in health care and long-term care to have their opportunity to hear for -- the department to hear what they have to say. We developed a symposium approach to escape from the Procedures Act, which calls for an awful lot of dollars and other formalities, just again to hear that people call, to hear from the people what they have to say.

We've had a great experience the past couple of years, when a particular company proposed rate increases up to 40, 45 percent in health care. My former chairman and I, along with the Attorney General, worked together, and through the -- through our efforts and the acceptance by the present commissioner at the time, we had a public hearing. If my memory serves me right, that proposed rate I believe went to zero. And Madam President, basically, we've taken every step.

And Madam President, this bill was heard in February probably of this year, maybe March. I have not heard one word from the industry as far as if there was any specific language change that they wanted until the past week. Not one word. I accept the fact that they opposed the proposed rate

public hearings and I accept that, but to wait three months when in our, you know, in my committee with my cochair where we make every effort to work out situations, when we haven't heard one word, we weren't given one piece of language change. And then to come in the final moments and start complaining about this bill I think is just unacceptable and personally, you know, very discouraging for the committee that tries to help the industry as much as possible.

Madam President, we believe this is a balanced approach and we believe that, as we stated earlier, you know, give the people a public hearing. And with that Madam President, I like to yield to Senator Prague.

THE CHAIR:

Senator Prague, will you accept the yield?

SENATOR PRAGUE:

Madam President, I will be delighted to accept the yield.

THE CHAIR:

Please proceed, madam.

SENATOR PRAGUE:

Thank you.

Madam President, last year MetLife increased their long-term insurance premiums 30 percent for one group and 39 percent for another group. The insurance commissioner, at that time, was under no obligation to hold a public hearing. All a company had to do was to file their rate request and the insurance commissioner could grant them the increase. Well, that's exactly what happened under Commissioner Sullivan. Metropolitan Life got their increase and there were several telephone calls to me from seniors saying, I can't afford this. We had this policy for years. I can't afford this increase in the premium. And that's what happened to many of the subscribers.

I have a letter here for another long-term care insurance policy underwritten by Metropolitan Life that's calling for a 45 percent increase. This letter is dated May 16, 2011. This other long-term care policy, again, underwritten by MetLife, another 45 percent increase. These increases are an outrage and the public must have an opportunity to have a say, to ask questions and to voice their opinions.

I commend Senator Crisco for bringing this

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issue before this body. We now have a new commissioner, and when I spoke to him before he went through executive noms and won the nomination of that committee, Commissioner Leonardi, he said he was very consumer oriented. I want to state that for the record. This commissioner stated that he is very consumer oriented and cares about what the public thinks. This bill before us will mandate those public hearings and I am sure that people will get a chance to express their opinion and this commissioner will hear what people have to say.

I strongly support this bill, Madam President, and I hope the members of the circle will do the same. Thank you.

THE CHAIR:

Thank you, Senator.

Will you remark further? Will you remark further?

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

I rise for a few questions to the proponent of the bill.

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THE CHAIR:

Please proceed, sir.

SENATOR KANE:

Thank you, Madam President.

Just looking at the fiscal note, Senator Crisco, it talks about the costs associated with this bill, but it says the agency affected is the insurance department. So it's not coming out of the general fund. It's coming out of the insurance fund. Can you tell me how the insurance fund is funded? Through you.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Yes, Madam President. It's through assessments on property, casualty and health care companies.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

And through you, how much are those assessments? Through you.

THE CHAIR:

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Senator Crisco.

SENATOR CRISCO:

Madam President, again I'm trying to go from memory. We do have a bill on the calendar where the department originally was recommending the changes in the assessments. And there was a swing of some \$6 million from one particular type of industry to the other, but it's in the many millions of dollars.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

And through you to Senator Crisco, how much is in that fund currently?

Through you.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, I don't have an answer to that. But again, it's an annual assessment of the companies and it funds the department. And, you know, I want to say 500-something million, through you to the Senator, but I do have that information

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but not available here.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

And through you to Senator Crisco, what do we typically use this fund for?

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

To my knowledge, Mr. President, through you to the Senator, for the operations of the Department of Insurance.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

And is it traditional or common -- probably a better word -- that we do these type of -- or accept these type of costs or increases to this fund typically? A 2 million-dollar price tag, is that commonplace or is that a little bit higher than what we typically do? Through you.

SENATOR CRISCO:

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Madam President, through you to the Senator, when I chaired Appropriations for ten years, the funds did come through Appropriations, and when he says -- typically the funds are used for public hearings, but if you will check the fiscal note, the original fiscal note was 2 and half million dollars, but if he checks the fiscal note with the LCO 8238, the investment was brought down to I believe \$181,000.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Thank you, Madam President.

8238 or 8239?

Through you.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

8238.

THE CHAIR:

Senator Kane.

SENATOR KANE:

I see it now. Thank you.

Okay. Good. Thank you, Senator Crisco for

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that answer. I appreciate that, because in the Appropriations Committee, we were looking at the \$2 million figure. So this means there won't be an increase in positions as the original originally intended? Through you.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, I'm going to tell you that the -- because of the change in the terminology and the change from public hearings to symposiums and removing the process from the procedures act, according to the fiscal note, it would cost \$181,000.

THE CHAIR:

Senator Kane.

SENATOR KANE:

Great. Thank you, Madam President. I appreciate Senator Crisco for his answers. That clears up a big concern for me. Thank you.

THE CHAIR:

Thank you, Senator Kane.

Will you remark further?

Senator Kelly.

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SENATOR KELLY:

Thank you, Madam President.

I have a few questions for the proponent of the amendment.

THE CHAIR:

Please proceed, sir.

SENATOR KELLY:

Thank you.

Under current practice, does the Connecticut Insurance Department hold public hearings?

Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, through you to the Senator, and it's nice to hear from him again. I stated that in the two-year period, if there was 104 rate requests, 60 approved and two public hearings and I believe one of those was motivated by our Insurance Committee, and long-term care over a four-year period, from 2007 to 2010, there was 107 rate increases, 37 -- I mean rate requests -- 37 approved and zero, zero public hearings.

Through you, Madam President.

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THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Thank you, Madam President.

Taking long-term-care and putting that aside,
I think the answer with regards to health was yes.
Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Yes, for two public hearings.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

But we've had public hearings. Correct?

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Correct, but through you, Madam President,
perhaps it would have only been one and maybe zero
if it wasn't for the leadership, I believe, of the
Attorney General and the Insurance Committee which
I really am proud to be a member of.

THE CHAIR:

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Senator Kelly.

SENATOR KELLY:

As am I, Senator Crisco.

SENATOR CRISCO:

Thank you, Senator.

SENATOR KELLY:

And I do enjoy serving with you on that committee and do appreciate your -- your insight on these issues. But getting back to this amendment and the rate approval process, is it not true that many other states come to Connecticut to view the system that we have and procedures in place today, through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, through you to the Senator, procedures overall. I don't know if the Senator is alluding to specific procedures just for public hearings. But overall, they do come to visit and we do an excellent job, but again, Madam President, let me remind my colleagues that if the commissioner wants to go ahead and have a public hearing and -- he is welcome to. It he is so

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consumer oriented, the trigger it doesn't have to kick in. And he can have one public hearing if he decides. He can have 20, but we do give the option.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

And what is the difference between a public hearing and a symposium?

SENATOR CRISCO:

Madam President, through you to the Senator, as I stated before, the Procedures Act don't pertain to a symposium, which means there's less cost. I believe that there's other costs involved in other procedures that are -- unless maybe through you, Madam President, to the Senator, I know the Senator has always been interested in slim policy, slim-pack policy. I think we could revert -- consider this a slim-pack public hearing.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Now, under the current procedures we have public hearings, that under -- is it the UPA? What

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makes the public hearing process so costly?

Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, while not being, you know, the authority on the area, I believe it's the Uniform Procedures Act. But when you say, "costly," Madam President, through you to the Senator, it depends how you, you know, envision costs, costly or versus normal standard operation costs.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Through you, Madam President, I would assume that there is due process procedural safeguards embedded in the Uniform Procedure Act that are accompanied in the public hearing. Are those same protections guaranteed through a symposium?

Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, through you, in my opinion
yes there is.

THE CHAIR:

Sorry. Senator Kelly.

SENATOR KELLY:

It's all right. Through you, Madam President,
if there's no distinction, then why isn't the
commissioner engaging in symposiums now,
particularly, if it's a less expensive way to
proceed?

Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, I believe because the statute
doesn't call for him to do symposiums. That is why
we have this bill before us. If he wants to
participate in a symposium and if we are fortunate
to get the legislation adopted, he's more than
welcome.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Through you, Madam President.

What type of information? Is there additional information under this amendment that's required in the public hearing -- or in the symposium that are not required under the public hearing? Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, in my opinion, I believe there's, you know, there could be almost the same amount of information.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Through you, Madam President.

So is it correct to say that currently it's required to produce financial reports, financial statements, the experience of the filer, past projected costs, the transfer of any funds to the holding or parent company, subsidiary or affiliate, the filer's rate of return on assets or profitability, reasonable margin for profit and contingencies?

Through you, Madam President.

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THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, through you to Senator Kennedy -- I'm sorry, Senator Kelly. There's approximately some areas of that in the symposium.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Through you, Madam President, how do, for instance, the rate of return on assets or profitability impact the rate?

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

I believe that it's considerable impact. But one of the issues that has always been the concern that the Insurance Committee and to its members in that and rate approval I believe -- and I can stand corrected -- that the profit of a particular carrier is not considered in regards to the rate approval.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Through you, Madam President.

If profitability is not applicable to the rate process, why is it included in the amendment?

Through you.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, we think that's a more equitable way to assess the need for a rate approval or rejection.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

What is the premise upon which rates would increase? Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, there's certain actuarial data that's, you know, available to the commissioner and other factors in regards to approve, you know, or disprove a rate.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

So if it's true that it's actuarial numbers that are the numbers that are pertinent and are the premise, the underlying root of rate increases, why isn't the amendment limited to those actuarial reports? Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, remember what we are speaking about, we are not saying that the public hearing will determine whether the rate is approved or rejected. Basically what we are saying, we are asking for the public to participate even though there could be other avenues to participate and give their opinion in regards to a proposed rate increase.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Does the current administration support this?
Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, through you to the Senator, we have had discussions, and we have not finalized that conclusion yet.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Thank you, Madam President.

So it's safe to say that, at this point, the answer would be, no. Through you, Madam President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Madam President, I can't speak for the administration. I believe the Senator should speak to the administration. Basically, Madam President, through you to the Senator, what we are asking for is for the public to have the chance to present their opinion in an open forum in regards to proposed rate increase.

We heard from Senator Prague the rate increases of 40, 49 percent. And I don't Senator Kelly who's worked with us on long-term care, you

know, can understand what this means to an individual and to a couple. We are trying to bring transparency more into the rate process and I have always enjoyed working with the Senator in regards to his concern about those people who have long-term care policies. And we're just trying to achieve the interests of the -- of the ratepayers.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Thank you, Madam President.

And I do understand the plight of many seniors who get caught in that situation where they have significant rate increases and was the genesis of the idea to come up with the disclosures for individuals prior to the purchase of the long-term care industry. I think if you talk to anybody that's involved in the long-term care industry, you're going to find that in Connecticut it's a very fragile market, and that's due in large part to the fact that people don't start to consider being involved in the long-term care process until they start to come to terms with their own mortality.

And that we aren't getting rate -- people to participate at an earlier age. We also have a task force to study that, to look at life insurance policies as well as annuities to see if there's a way to get people into the market at a younger age, more people participating and to see if we can convert those policies to long-term care products.

But given the fragile nature of the industry, I am a little concerned with requiring that industry to incur greater costs when the market itself is having a tough time just producing the product that they have. That's why we have the notice before.

But getting back to my original question which was with regards to the administration, and where they are on this because at committee level, the Connecticut Insurance Department testified against this bill. And I believe that the administration is more likely than not against it, and I would just assume that as the proponent, you would know the answer to that question as to whether or not, if we pass this, the Governor would even sign it.

Thank you very much, Madam President.

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Thank you, Senator.

Will you remark further? Will you remark
further?

Senator McKinney

SENATOR MCKINNEY:

Thank you, Madam President.

We are on the amendment. I'll wait and speak
on the bill. Thank you.

THE CHAIR:

Thank you, Senator.

Will you remark further? Will you remark
further?

All those in favor of the --

SENATOR CRISCO:

Madam President, I requested a roll call vote.

THE CHAIR:

A roll call vote will be ordered.

Mr. Clerk, will you call a roll call vote in
the machine will be opened.

THE CLERK:

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

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return to the Chamber.

THE CHAIR:

Have all members have voted? If all members have voted, the machine will be locked.

Mr. Clerk, will you please call the tally.

THE CLERK:

Madam President, the motion is on LCO Number 8238.

Total Number voting	36
Necessary for adoption	19
Those voting Yea	33
Those voting Nay	3
Those absent and not voting	0

THE CHAIR:

Amendment "A" passes.

Will you remark further?

Senator Crisco.

SENATOR CRISCO:

Madam President, the Clerk has LCO 8419. I ask that it be called and I be given permission to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

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Madam President, the Clerk is in possession of LCO Number 8419, which shall be designated schedule amendment "B." This amendment is introduced by Senator Crisco. Copies have been distributed.

THE CHAIR:

Senator Crisco, the question is on adoption.

Will you remark?

SENATOR CRISCO:

Madam President, I move adoption and I request a roll call vote and be given permission to summarize.

THE CHAIR:

A roll call vote will be ordered.

SENATOR CRISCO:

Madam President, very simply, we appreciate all the comments of our colleagues. And what this amendment does, makes this proposed bill not effective until July -- January 1, 2012, and until December 31, 2013. It's a sunset and it goes away.

It is our hope that between -- from now until then, that there may be an attempt by the commissioner and a demonstration that this is not needed. And in good faith we could continue on after the sunset.

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THE CHAIR:

Will you remark further? Will you remark
further?

If not, a roll call will be called, Mr. Clerk.
And the machine will be opened.

THE CLERK:

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

THE CHAIR:

Have all members voted? Have all members
voted?

If so, the machine will be locked.

Mr. Clerk, will you call the tally, please.

THE CLERK:

Madam President, the motion is on LCO Number
8419.

Total Number voting	35
Necessary for adoption	18
Those voting Yea	35
Those voting Nay	0
Those absent and not voting	1

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THE CHAIR:

Senate "B" has been adopted.

Will you remark further? Will you remark further?

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, speaking in support of the bill, as amended. I want to thank Senator Crisco for his hard work and his advocacy on this issue. And also I think it, in many ways, this bill is an appropriate companion piece to House Bill 6308, which we spent 4 hours and 15 minutes debating earlier this evening.

This bill is in a process I think of accountability of public input regarding proposed rate increases. Everyone, as Senator Prague said in her comments, has become just alarmed and discouraged about the annual rate of increase in insurance premiums. This will at least give some way to make sure that those premium requests are closely examined, as they should be, and will provide greater confidence for the public in that process.

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So again, I commend Senator Crisco for his efforts and urge passage of the bill. Thank you, Madam President.

THE CHAIR:

Thank you, Senator.

Senator Fasano.

SENATOR FASANO:

Thank you, Madam President. I apologize to the Majority Leader. I was in the midst of a conversation. I meant to get up before Senator Looney so my apologies.

Madam President, if I could have the Clerk call LCO 8038 and move the amendment, request permission to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Madam President, the Clerk is in possession of LCO Number 8038, which shall be designated Senate Schedule "C," introduced by Senator Fasano of the 34th District, copies of which have been distributed.

THE CHAIR:

Senator Fasano.

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SENATOR FASANO:

Thank you, Madam President. Madam President, with respect to the underlying bill, there's a procedural --

THE CHAIR:

Before you -- move for adoption, please.

SENATOR FASANO:

Yes. I move adoption and request permission to summarize.

THE CHAIR:

Please continue, sir.

SENATOR FASANO:

Thank you, Madam President.

Madam President, on the -- on the amendment, the underlying bill requires a number of hearings to be held in order to identify the reasons for the increases and the reason for the premium increases. And Madam President, while I think this is a good idea, I want to make sure that we have the resources in which to allow underwriters and insurance companies to continue to write.

The inability to have accurate information and the inability to process this information may eventually hold up the ability of the insurance

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companies to respond to market conditions as they go throughout the year or years. Therefore, Madam President, what my amendment seeks to do, it seeks to add in the Office of Healthcare Advocate, a full-time actuary at the cost of 145,000, that this money would be split between OHA and the Attorney General's office.

Once again Madam President, the point of this is, is that this procedure is going to require every single bill to be -- or I should say every single premium request to be detailed, analyzed by the State, determine its feasibility, determine if its increase is reasonable or not. That's going to require an awful lot of backup information. And as a result of that, Madam President, I think this bill speaks to the ability of Connecticut keeping pace with the ever-changing insurance requirements, including many mandates that we place on them as well as reaction to current market conditions and I request support for this amendment. Thank you, Madam President.

THE CHAIR:

Thank you. Will you remark?

Senator Crisco.

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SENATOR CRISCO:

Thank you, Madam President.

I appreciate Senator Fasano's good effort; however, I would ask that the amendment be rejected. And I more than offer to work with Senator Fasano to see if we can find another vehicle for his amendment. Thank you, Madam President.

THE CHAIR:

Will you remark further? Will you remark further?

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, rising in the reluctant opposition to the amendment. I certainly concur that it is a good idea. Unfortunately, the additional cost I think might become so burdensome that it would be insurmountable. The cost of \$145,000 in fiscal '11, 189,000 the following year. While it certainly would give additional resources to the Office of Healthcare Advocate to have a full-time actuary. In this case, I think it is something that we need to look to the budget

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process perhaps to find a better way to accommodate it next year. In the meantime, would urge opposition to the amendment and would ask for a roll call vote.

THE CHAIR:

Thank you. A roll call vote will be ordered.

Will you remark? Will you remark? If not.

Mr. Clerk, please call for a roll call vote and the machine will be opened.

THE CLERK:

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

THE CHAIR:

Have all members voted? All members have voted. The machine will be closed.

And Mr. Clerk, will you call a tally, please.

THE CLERK:

Madam President, the motion is on LCO Number 8038.

Total Number voting	36
Necessary for adoption	19

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Those voting Yea	12
Those voting Nay	24
Those absent and not voting	0

THE CHAIR:

Amendment "C" has failed.

Will you remark further?

Senator Fasano.

SENATOR FASANO:

Thank you, Madam President.

Madam President, I'd ask that Clerk to call

LCO 8035.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Madam President, the Clerk is in possession of

LCO Number 8035, which shall be designated Schedule

"D," copies of which have been distributed.

Introduced by Senator Fasano of the 34th District.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

Thank you, Madam President.

Madam President, I move the amendment and
request permission to summarize.

THE CHAIR:

The question is on adoption. Please proceed, sir.

SENATOR FASANO:

Thank you, Madam President.

In the hopes of grabbing the attention of Senator Looney and Senator Crisco, this one does not have a fiscal note. Basically what this does is this allows the ability to have flexible insurance policies and what I mean by that is we have many mandates that go under insurance policies so when you get an insurance policy, let's say, for an unmarried male, you're required to put all of those mandates that are lapped in that we have approved through the Legislature time and time again such as pregnancy and so forth. All those go into the premium for that individual. The problem with that is you end up with policies that are obviously very rich because of the mandates which will never apply.

What this amendment does is it permits the insurers to offer flexible health insurance policies which would be exempted from the state-mandated policies, but which will cover that

individual for those particular mandates that apply to that individual, be it all a child or an adult or what have you. The savings can be tremendous, both to the State and to municipalities. This is actually a cost-saving measure. And obviously here in the state, there are many different policies that we can branch out with this flexible policy.

Madam President, I think if the last bill did not meet with approval based upon the price tag, this one should meet with approval based upon the potential reduction both at the state level and the municipal level. Thank you, Madam President.

THE CHAIR:

Thank you, Senator. Will you remark?

Senator Crisco.

SENATOR CRISCO:

Thank you, Madam President.

I urge rejection of the amendment. I ask for a roll call vote. And once again extend my good friend Senator Fasano the opportunity to explore this particular proposal on another bill. Thank you, Madam President.

THE CHAIR:

Thank you.

Will you remark further? Will you remark further?

Mr. Clerk, would you call for a roll call vote and the machine will be open.

THE CLERK:

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

THE CHAIR:

Have all members voted? If all members have voted, the machine will be locked.

Mr. Clerk, please call the tally.

THE CLERK:

Madam President, the question is on LCO Number 8035, Schedule "D."

Total Number voting	36
Necessary for adoption	19
Those voting Yea	14
Those voting Nay	22
Those absent and not voting	0

THE CHAIR:

Amendment "D" has failed.

Will you remark further? Will you remark further?

Senator McKinney.

SENATOR MCKINNEY:

Thank you, Madam President.

I'm going to rise in favor of the bill before us. And in reading the bill as amended that Senator Crisco put forward, what we are really talking about here is a public hearing or a symposium, a chance for the public to be heard about potential increases in their health insurance costs.

We're talking about review by the health care advocate and the Attorney General and thorough review by our own insurance commissioner. I find that to be consistent with openness and fairness and transparency on what is a very important issue. I also want to comment on something I heard Senator Crisco talk about very briefly. But Senator Crisco and I have voted together and we've opposed each other on a number of insurance bills over the years, but whether we've been on the same side or opposite sides, I've always found him willing to listen even when he disagrees.

So when he stands up and says for months there was no opposition to this measure until about a week ago, I haven't heard opposition on this bill until about a week or so ago as well. So, you know, I think that's very telling that we are trying to work here and trying to do the people's business and you just can't come in last-minute and say, stop. So I'm going to rise in favor of this and I think the sunset provision adds some protections, although as I mentioned to Senator Prague, we've never seen a sunset that we've actually kept our promise on, but she's hopeful that we'll keep our perfect record in that respect.

But I know that the night is getting late. Just stand in favor of the bill before us. Thank you.

THE CHAIR:

Thank you very much.

Will you remark?

Senator Williams.

SENATOR WILLIAMS:

Thank you, Madam President.

I rise to support the bill. To thank, Senator Crisco, for his great work and tremendous advocacy

for this legislation and to do something that I find refreshing this late in the session, but I'm not sure I can do all the time and that is to associate myself with the remarks of Senator McKinney.

THE CHAIR:

We have that on record, sir.

Will you remark further? Will you remark further?

If not, Mr. Clerk, will you please call a roll call vote. The machines will be open.

THE CLERK:

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

THE CHAIR:

Senator Suzio, would you like to vote, sir?
Senator Suzio. Thank you.

Have all members voted? All members have voted. The machine will be closed.

And Mr. Clerk, will you please call the tally.

THE CLERK:

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Total Number voting	36
Necessary for adoption	19
Those voting Yea	36
Those voting Nay	0
Those absent and not voting	0

THE CHAIR:

The bill is passed.

Mr. Clerk -- oops, sorry. Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, I believe the Clerk is in possession of Senate Agenda Number 3 for this evening's session.

THE CHAIR:

Please proceed, sir.

Mr. Clerk.

THE CLERK:

Madam President, the Clerk is in possession of Senate Agenda Number 3 for Monday, June 6, 2011.

THE CHAIR:

Thank you.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.