



**Testimony in Support of**  
**Senate Bill 20: An Act Concerning The Factors To Be Considered by the Insurance Department In**  
**A Health Insurance Premium Rate Filing Review**  
**Submitted by Lynne Ide, Director of Program & Policy**  
**Universal Health Care Foundation of Connecticut**  
**February 7, 2017**

Universal Health Care Foundation of Connecticut supports incorporating affordability as a factor in health insurance rate review – and also asks you to consider examining how affordability standards can be applied across all insurance markets that are regulated by the state.

Last summer, at the annual health insurance rate review hearings, the growing frustration of consumers impacted by the individual and small group market was clear. We have attended all the of the rate review public hearings since they began as part of the Affordable Care Act – and this year there was an overwhelming response to rising premium costs. Brokers, small business owners, individuals, Republican and Democratic officials, and many other impacted people showed up to express their concerns at the proposed double digit increases for some plans.

This year, we created a petition opposing the exorbitant rate increases proposed for the individual and small group markets, on and off the exchange. We had hundreds of petition signatures to submit into the rate review public hearing record. The consumers that signed that petition represent the tip of the iceberg of everyday people who need and want our state’s elected representatives and regulators to look out for them, too.

We understand that the Connecticut Insurance Department focuses on actuarial analysis and questioning of insurer assumptions when reviewing proposed rates. We understand that the Department is required to ensure the fiscal solvency of insurers via their rates. We also understand that rate increases, especially double-digit increases, make purchasing a health insurance plan for consumers a financial struggle, and threatens the fiscal solvency of many households. But while insurers have other products, investments, and streams of revenue to turn to, the consumer must rely on state regulators to protect them.

While ensuring the affordability of premiums may be challenging, or difficult, that is not reason enough to shy away from something that is not only critical, but urgent, for Connecticut residents. And that urgency is now even greater, because potential repeal of the Affordable Care Act would leave many more people without affordable options.

The Insurance Department has shown, in the past, a willingness to reduce rate requests if the insurer cannot justify the assumptions used in actuarial analysis. We are grateful that the Department does its due diligence and ensures that rates are not any higher than required.

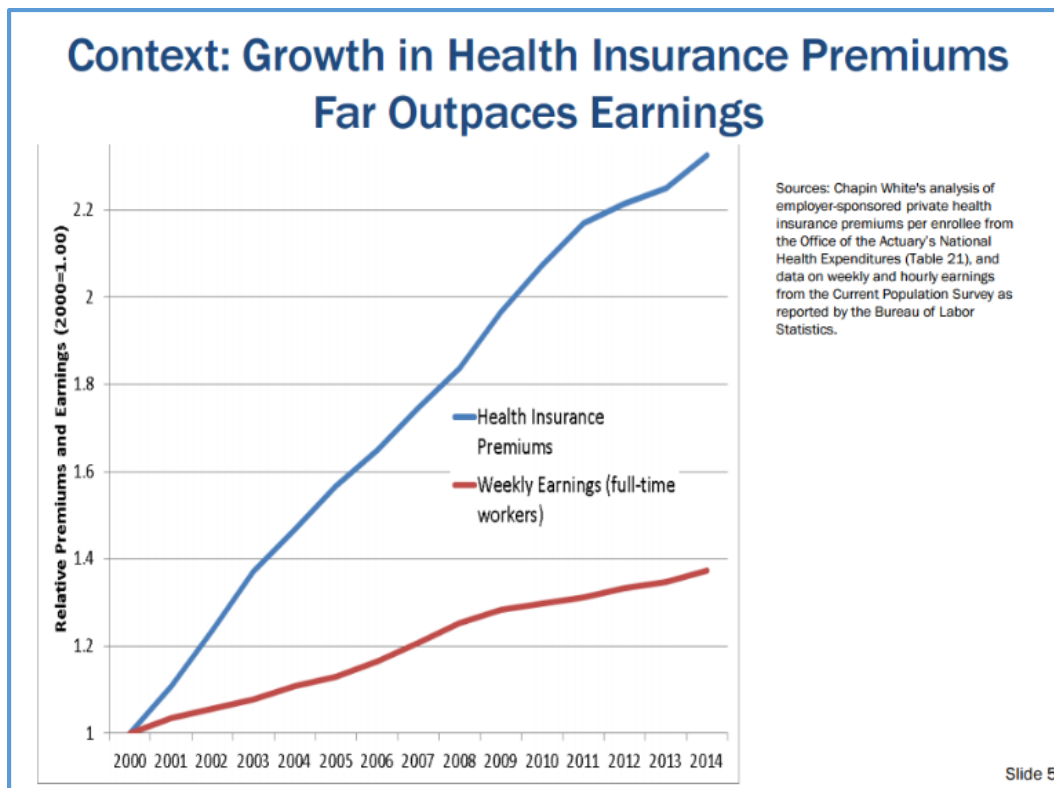
What concerns us most, though, is that despite factual support for rate increases, those analyses are done in a vacuum that does not consider the impact of rates on consumers. If a plan is unaffordable, a consumer simply will either not purchase it or choose a low-cost, high deductible plan. A small employer may shift higher premium costs to employees.

Unaffordable health insurance is a more expensive version of being uninsured. Having a health plan satisfies the individual mandate – but utilization of that health plan may be limited by higher cost-sharing, choosing a high deductible health plan, or how increased premiums eat into dollars that could have been spent on co-pays and other co-insurance.

The bottom line is that health insurance costs are unsustainable for consumers and something has got to change.

Here are a few points to consider

1. **Health care costs keep rising.** The growth in the cost of premiums dwarfs the growth of earnings since 2000 (see diagram below<sup>i</sup>). Despite a slowdown in health care cost increases, costs are still rising, and are 17% of gross domestic product (GDP)<sup>ii</sup>. In the July 2016 edition of the Kaiser Health Tracking Poll, 38% of registered voters said that health care costs are a top health issue for them<sup>iii</sup>.



2. **The trends in high-deductible plans and increased cost-sharing are causing deferral of care, which contributes to higher health care costs down the road, and closing the door to needed care for too many.** In an effort to curb health care spending, insurers opt to offer high-deductible health plans. While these do show a reduction in cost, by lowering use of care<sup>iv</sup>, the net effect is that members are also using less health care than they need. In a Families USA Special Report, data showed that “one quarter of health care consumers with non-group insurance still have problems affording care.”<sup>v</sup>
3. **Dwindling choice in the marketplace puts people in an even harder position.** With less choice and competition, insurers have less incentive to design and price plans that are centered on high-value care and affordability to the consumer.

For example, with the exit of Healthy CT and United Healthcare from the market, the individual exchange leaves consumers with only two choices: ConnectiCare and Anthem. On the SHOP exchange, there is no choice – Anthem is the only insurer. **This limit in choice in the exchange markets makes the rate increase requests even more critical for consumers.**

4. **We come to the conclusion that affordability must become part of the Insurance Department's charge.** We need affordability standards against which rate hikes are evaluated. The Department must be charged with looking out for us all, not only the viability of the insurers.

We need only look to nearby Rhode Island for a prime example of a state where affordability standards are a formal element of rate review. In Rhode Island, the legislature created a standalone Office of the Health Insurance Commissioner in 2004, which was essentially a legislative mandate to address affordability. In 2010, the Commissioner, through a public process, generated the first version of affordability standards, which were later refined in 2015 after assessment and evaluation of the first set of standards<sup>vi</sup>.

Both Vermont and Oregon also have affordability considerations in health insurance rate review. Please see the attached resource memo for more information on Rhode Island, Vermont and Oregon.

Ultimately, health care costs are too high and we must address these across a wide spectrum of solutions – and affordability standards for health insurance rate review is one, of many measures to move us towards a health care system of better care, better prices, and better health.

*Universal Health Care Foundation of Connecticut's mission is to serve as a catalyst that engages residents and communities in shaping a democratic health system that provides universal access to quality, affordable health care and promotes health in Connecticut. We believe that health care is a fundamental right and that our work is part of a broader movement for social and economic justice.*

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<sup>i</sup> Slide 5 from “Provider Consolidation” presentation by Chapin White of the RAND Corporation, hosted by the Consumers Union Health Care Value Hub, January 2016 (URL: <http://kff.org/health-costs/poll-finding/kaiser-health-tracking-poll-july-2016/>)

<sup>ii</sup> From “High Deductible Health Plans” Health Policy Brief from Health Affairs and the Robert Wood Johnson Foundation, February 4, 2016 (URL: [http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief\\_id=152](http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief_id=152))

<sup>iii</sup> See Figure 7 in “Kaiser Health Tracking Poll: July 2016” by Ashley Kirzinger, Elise Sugarman & Mollyann Brodie from Kaiser Family Foundation, July 15, 2016 (URL: <http://kff.org/health-costs/poll-finding/kaiser-health-tracking-poll-july-2016/>)

<sup>iv</sup> From “High Deductible Health Plans” Health Policy Brief from Health Affairs and the Robert Wood Johnson Foundation, February 4, 2016 (URL: [http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief\\_id=152](http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief_id=152))

<sup>v</sup> See Page 5 in “Non-Group Health Insurance: Many Insured Americans with High Out-of-Pocket Costs Forgo Needed Health Care” from Families USA, May 2015 (URL: [http://familiesusa.org/sites/default/files/product\\_documents/ACA\\_HRMSurvey%20Urban-Report\\_final\\_web.pdf](http://familiesusa.org/sites/default/files/product_documents/ACA_HRMSurvey%20Urban-Report_final_web.pdf))

<sup>vi</sup> See Slides 9-30 in “Study of Cost Containment Models and Recommendations for Connecticut: Review of Rhode Island and Massachusetts” compiled by Bailit Health for the Connecticut State Health Care Cabinet Cost Containment Study, March 8, 2016 (URL: [http://portal.ct.gov/Departments\\_and\\_Agencies/Office\\_of\\_the\\_Lieutenant\\_Governor/HCC/PDF\\_Files/HCC\\_030816\\_Presentation/](http://portal.ct.gov/Departments_and_Agencies/Office_of_the_Lieutenant_Governor/HCC/PDF_Files/HCC_030816_Presentation/))

## Affordability Standards in Health Insurance Rate Review

### Resources

#### Rhode Island Affordability Standards

In Rhode Island, the Office of the Health Insurance Commissioner (OHIC) considers affordability when reviewing health insurance rates (within the individual and small group markets). To do this, OHIC has set specific standards around affordability.

- The Connecticut General Assembly Office of Legislative Research did a brief report on Rhode Island's Affordability Standards:
  - [See here for the OLR Report on RI Affordability Standards](#)
- Bailit Health (Consultants for the CT Health Care Cabinet) presented on how Rhode Island implemented affordability standards in setting insurance premiums.
  - [See here for the Rhode Island only portion of the presentation by Bailit on March 8, 2016 to the Health Care Cabinet](#)

#### Affordability in Vermont's Health Insurance Rate Review

In Vermont, the Green Mountain Care Board reviews health insurance rate filings (individual and small group markets).

- See here for: [The "whys" and "hows" of Vermont rate regulation](#)
- In [Act 48](#) of the 2011 Vermont Legislative Session, the section on rate review specifically states: "The commissioner shall review policies and rates to determine whether a policy or rate is affordable, promotes quality care, promotes access to health care, and is not unjust, unfair, inequitable, misleading, or contrary to the laws of this state." (Page 115 of [Act 48](#)).
- [Act 171](#) in 2012 changed how some the process of rate review, but kept intact the use of affordability as a metric for approving or denying rates (Rate review section begins Page 103 of [Act 171](#)).

#### Affordability in Oregon's Health Insurance Rate Review

Oregon does not explicitly state that affordability must be used in health insurance rate review, but does include consideration of "insurer's progress toward **health care cost containment** and quality improvement."

In correspondence with other state advocates, the Oregon advocate offered the following on Oregon's health insurance rate review:

"Oregon's rate review statute never actually uses the word 'affordability.' As with many states, regulators may consider whether a rate is 'reasonable and not excessive, inadequate or unfairly discriminatory' examining: The insurer's financial position, including profitability, surplus, reserves and return on investments; administrative costs and medical and hospital expenses; the insurer's Medical Loss Ratio (MLR); any anticipated change in the number of enrollees if the increase is approved; changes to covered benefits; the insurer's progress toward **health care cost containment** and quality improvement; and any public comments.

"[It can be argued] that this adds up providing discretion to the regulator to consider affordability. Regulators can also issue data calls and my thought is that regulators should request certain types of reports that would signal whether or not a plan is making progress on things like (1) greater use of high value care, (2) lower use of low-value care, (3) fewer medical errors, (4) improved care coordination for complex cases, (5) fair pricing in contracts, and other items."

- See section on Premium Rate Filing (Page 13) of [this Oregon House Bill from 2009](#).