



**Testimony in Support of Senate Bill 356: An Act Requiring the Insurance Commissioner to Consider Affordability as a Factor in Reviewing Individual and Group Health Insurance Policy Premium Rate Filings**

**Universal Health Care Foundation of Connecticut  
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Thank you to the co-chairs and members of the Insurance and Real Estate Committee for the opportunity to testify in support of SB 356: An Act Requiring the Insurance Commissioner to Consider Affordability as a Factor in Reviewing Individual and Group Health Insurance Policy Premium Rate Filings.

This is not the first year this bill has been considered by the committee. But this is the first year that there is a study available to help define affordability, the Connecticut Healthcare Affordability Index (CHAI), a project of the Office of Health Strategy and the Office of the State Comptroller.

The CHAI is a measure of affordability that takes into account many factors that impact a family's health care expenses. It is built from another tool known as the Self-Sufficiency Standard, which identifies the amount of income families require to afford their basic needs, such as housing, childcare, food, transportation, as well as health care, without financial assistance from other sources. The Self-Sufficiency Standard shows how household expenses vary based on family size, composition, and geography.

The CHAI then digs deeper into the health care expenses families face to show how additional factors – including age, insurance type, and health status – affect health care costs. By compiling this information and combining it with the variables already measured by the Self-Sufficiency Standard, the CHAI calculates health care costs and affordability for different family types across Connecticut. Importantly, the CHAI considers all health care costs households encounter, including health insurance premiums and out-of-pocket costs.

Using the CHAI tool, the Connecticut Healthcare Spending Target was established. The spending target quantifies how much of a family's income could be spent on health care before the costs put the family at risk for economic hardship – that is, become unaffordable. According to the spending target, health care costs are considered unaffordable if they exceed approximately 7% to 11% of a family's income.

Measured against the Connecticut Healthcare Spending Target, 21% of households have health care costs that are unaffordable. When looking specifically at the individual health

insurance market, one of the most important markets where the Insurance Commissioner has rate review authority, these affordability challenges are even greater. Even with the availability of the enhanced Affordable Care Act (ACA) subsidies available through the American Rescue Plan Act (ARPA), the CHAI project found that 42% have unaffordable health care. Without the extra ARPA support, which right now is not set to continue in 2023, that rate jumps to 67%. Those who are 50 and older and those with poor health struggle even more with affordability.

Another indicator of health care affordability challenges can be found in the report of a 2020 survey conducted by Altarum's Healthcare Value Hub in Connecticut. Almost half of Connecticut adults (44%) encountered one or more cost-related barriers to getting healthcare during the prior 12 months, including:

- 24%—Delayed going to the doctor or having a procedure done
- 20%—Avoided going to the doctor or having a procedure done altogether
- 19%—Skipped a recommended medical test or treatment
- 19%—Cut pills in half, skipped doses of medicine or did not fill a prescription

And 24 % reported problems paying a medical bill.

This information points to the fact that affordability must focus not only on premiums but on out-of-pocket expenses, too. Shifting risk onto individuals is no way to improve affordability. If premiums are being held down but co-pays, co-insurance and deductibles increase, that is not the right answer.

Insurance rates are going up because the cost of health care, including prescription drugs and inpatient and outpatient hospital services, is going up. And health care prices are going up much faster than wages. While efforts are underway to address these underlying costs through the Office of Health Strategy's Healthcare Cost Benchmark project, the bottom line is that these costs are unsustainable for consumers and employers. Something has got to change, and the rate review process is another way to push back.

Connecticut can learn from what other states have done. For example, Vermont considers affordability when reviewing proposed health insurance rates, in addition to whether the rates promote quality care and access to health care. Rhode Island has generated affordability standards for insurers to follow. The Insurance Commissioner in the state of Washington has authority to review insurer-provider contracts (See information on these and other efforts in the list of resources, below).

We urge you to pass SB 356 to expand the Insurance Commissioner's regulatory authority to better protect consumers and employers from unaffordable premiums and out-of-pocket costs, by including affordability in the rate review process.

## Resources:

See the Office of Health Strategy web page with all Connecticut Healthcare Affordability Index [reports](#)

- [Connecticut Healthcare Affordability Index, Executive Summary](#), June 2021
- [Connecticut Healthcare Spending Target: How Many Households Have Affordable Healthcare?](#) June 2021
- [Connecticut Healthcare Affordability Index](#), Dec. 2020
- [The Self-Sufficiency Standard for Connecticut](#), 2019

Resources from Altarum's Healthcare Value Hub

- [Connecticut Residents Struggle to Afford High Healthcare Costs; COVID Fears Add to Support for a Range of Government Solutions Across Party Lines](#), Altarum Healthcare Value Hub, September 2020
- [Using Rate Review to Address Healthcare Affordability](#)
- [Pushing the Envelope: State Insurance Regulatory Authority to Address Healthcare Affordability](#)

[Health Insurance Rate Review Standards in Vermont](#) (CT Office of Legislative Research, October 2, 2017)

[Insurance Rate Review as a Hospital Cost Containment Tool: Rhode Island's Experience](#), National Academy of State Health Policy (NASHP) February 1, 2021

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