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Statement of
Anthem Blue Cross and Blue Shield
on Senate Bill 194 An Act Concerning Rate Approvals For Individual Health Insurance Policies

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.

Anthem is committed to finding and implementing solutions that deliver better health care to our members and help to reduce costs. However, we feel strongly that politicizing the rate regulation process will decrease access to coverage by reducing choice and competition in the individual insurance market while not addressing the main drivers of increasing health insurance premiums: the ever increasing cost and utilization of healthcare in Connecticut and across the country. Experience in other states has shown that increased rate regulation is a means of price control that is not only unsustainable, but that also ultimately harms consumers. As such, Anthem opposes SB 194.

Health insurance rates increase over time to reflect general medical inflation and other factors. As provider prices and consumer utilization increase, so must health insurance premiums. If insurers are unable to raise premiums to adequately cover these increased expenses, they become unable to pay claims on behalf of their members. That is why laws such as the current law in Connecticut have tended to set standards that require rates to be adequate (meaning the premiums are sufficient to cover the benefits), non-discriminatory (so that those similarly situated are treated consistently) and not excessive (ensuring that the rates are not too high relative to the underlying benefit, administrative and selling costs).

In other states where the approval of rates has been subject to politicization and standards that deviate from the one just described, resultant policies have threatened the solvency of health insurance carriers and in some cases have forced carriers to exit the market, ultimately reducing consumer choice, increasing costs, increasing the number of uninsured and threatening local jobs.

The experiences of Kentucky, Washington and New York with prior approval provide an in-depth, longitudinal view of the effects of a restrictive regulatory and legislative environment as well as insightful lessons on the unintended consequences of these stricter regulations.[i] Similar results occurred in all three states:

- First, an implosion of the individual market occurred that reduced consumer choice. At one time, there were no insuring entities accepting new business in the individual market in some counties in Washington, and from 1993 to 1999 in Kentucky more than sixty carriers exited the insurance market leaving only one carrier and a self-funding entity accepting new business in the individual market.

- Second, premium rates for health insurance increased as the rate approval process became long and expensive and consumer choice decreased. For example, after prior approval was adopted in New York, indemnity premium rates increased significantly – between 30 and 40 percent.

- Third, there was a decrease in the purchase of individual insurance contributing to an increase in the uninsured population. In 1992, New York's uninsured rate was at the national average; however, by 1997 the uninsured rate was much higher than the national average. Enrollment in New York's individual market from 1992 to 1997 fell by 38 percent.

There is no reason to think that the results would be any different in Connecticut.

The current standard for approval of rates in Connecticut is designed to protect consumers and provides for, and requires, fair and timely rate setting. Furthermore, the Commissioner has broad authority to conduct extensive actuarial analyses of any rate filing and, where deemed appropriate, to enable other parties and intervenors, including the Attorney General and the Healthcare Advocate, to have meaningful input into the determination for a particular application. The Commissioner also has the discretion to hold a public hearing if the filing warrants additional scrutiny and public comment and to grant intervenor status to anyone, including the Attorney General and the Healthcare Advocate, who files a timely petition that meets certain requirements. Ultimately, the authority of approving rate applications appropriately falls to the Commissioner who has the responsibility to ensure that carriers can financially uphold their end of the insurance contract. Requiring public hearings for every rate filing is unnecessary and would serve as an example of taking an extraordinary remedy and making it the standard. The current regulatory framework provides for a thorough rate approval process that is time tested, and it should not be eviscerated simply because a prevailing political climate asserts that the approval of actuarially sound increases should be obstructed because they are higher than expected.

As demonstrated by the experiences of other states, rate regulation only serves to artificially suppress costs, is unsustainable and adds costs to the system. In order to bend the cost curve and slow the growth of medical costs in a sustainable way, we must engage in efforts to improve our health care delivery and payment systems which help reduce costs and improve the quality of care our members receive. Anthem continues to support efforts that meet these goals, both in the state and nationally, by investing in many initiatives designed to reduce the cost of care, promote wellness and preventive care for our members and communities, and to support high-quality, evidence-based care with providers, which costs less over time.

Thank you for the opportunity to address you on this very important issue. We welcome any questions you might have pertaining to this legislation. Please contact Christine Cappiello, Anthem Government Relations Director at (203)985-6360.

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[i] Bender, Karen and Beth Fritchen. "Impact of Prior Approval Requirements for Rate Changes of Small Employer Group and Individual Health Policies." Mercer Oliver Wyman. January 2004.