

Testimony to the House Insurance Committee  
July 20, 2010  
Health Insurance Rate Increases

Chairman DeLuca, Chairman Micozzi, members of the Committee. I am Sharon Ward, Director of the Pennsylvania Budget and Policy Center and a member of the Pennsylvania Health Access Network. I am here today with a panel to discuss the impact of health insurance rate increases on consumers and small businesses. I want to thank you for inviting us to testify.

I will speak only briefly then turn things over to the panel.

Most of the provisions of the Patient Protection and Affordable Care Act (PPA) will go into effect in 2014, but Congress saw fit to address several issues almost immediately. These include the establishment of the high risk pool, ending insurance coverage annual limits, coverage for young adults, ending pre-existing condition exclusions for children, and improvement of state rate review capacity.

Congress anticipated that, in the run up to full implementation of health care reform in 2014, there was some danger that insurers would enact excessive rate increases or make other changes to prepare for 2014 and wanted to give states additional tools to protect consumers. The Department of Health and Human Services has made \$51 million available to states this year to give them the tools to improve rate review and prepare for increased responsibility. Applications for the first round of funding were due on July 7.

Congress' concern was certainly justified. In February of this year, California insurers sought premium increases of up to 76%, which prompted a huge public outcry and aggressive attempts by that state to fight those increases with the limited tools they had.

The Patient Protection Act has a number of provisions that will protect consumers from unnecessary and unaffordable insurance premium increases and Pennsylvania will have to make statutory changes to comply with the law. However, much is left undefined, leaving great discretion to states that Pennsylvania should take advantage of. For example, the law requires annual review of unreasonable rate increases, but does not define what is unreasonable. It also requires public input in rate cases but does not proscribe the form of that input.

States can enact legislation that goes beyond the Federal law. For example California Governor Arnold Schwarzenegger is proposing statutory changes that go beyond federal law by: (1) requiring health plans to submit all rates filings with a certification from a third party independent actuary; (2) specifically granting the insurance regulatory agency authority to post rate filing information on its public website; and (3) granting the agency authority to collect, review, and post underlying trend data.

We know that Pennsylvania is at the back of the pack when it comes to consumer protections in the small group market. According to the National Association of Insurance Commissioners (NAIC) Pennsylvania is one of three states with no small group regulation. By enacting strong rate approval legislation Pennsylvania could move to the head of the class.

The majority of states have statutes requiring prior approval of rate increases for some or all health insurance products. Families USA has identified the number at 28 states. Prior to enactment of federal health care reform the trend was toward stricter regulation. According to the National Conference of State Legislators, five states enacted statutes in 2009 to require prior approval of rates (CT, FL, GA, IN, OH).

Rate approval can be a powerful tool to protect consumers from unjustified rate increases. Colorado enacted a prior approval law in 2008 and in the first six months of implementation almost 50% of proposed rate increases were denied or withdrawn.

Consumers are wary of insurers, with good reason. During the past decade and even during the recession they have done well. In 2009 the nation's five largest health insurance companies—Wellpoint, UnitedHealth Group, Cigna, Etna and Humana—accumulated combined profits of \$12.2 billion, up 56% from 2008, at a time when nominal GDP decreased by 1%. Pennsylvanians are hurting, our large insurers, apparently, are not.

The Pennsylvania General Assembly could help insurance remain affordable for individuals and small businesses by enacting a law to strengthen the Pennsylvania Insurance Department's ability to protect consumers. The law should:

1. Give the Insurance Commissioner the authority to review and approve rates.
2. Create standards to determine whether rate increases are justified
3. Create a clear and transparent process for rate review and approval.
4. Provide for informed consumer input into the rate process.
5. Ensure the Pennsylvania Insurance Department has adequate capacity to independently review rate requests in a timely manner.

Thank you for this opportunity. I will turn things over to my colleagues.

Sources:

Families USA. *Rate Review: Holding Health Plans Accountable for Your Premium Dollars*. Washington, DC, April 2010 found at [www.familiesusa.org](http://www.familiesusa.org)

National Association of Insurance Commissioners and the Center for Insurance Policy and Research. *Brief: Health Insurance Rate Regulation*.

National Conference of State Legislatures. *State Approval or Disapproval of Insurance Rate Increases*, found at [www.ncsl.org/default.aspx?tabid=19787](http://www.ncsl.org/default.aspx?tabid=19787)

We know that Pennsylvania is at the back of the pack when it comes to consumer protections in the small group market. According to the National Association of Insurance Commissioners (NAIC) Pennsylvania is one of three states with no small group regulation. By enacting strong rate approval legislation Pennsylvania could move to the head of the class.

The majority of states have statutes requiring prior approval of rate increases for some or all health insurance products. Families USA has identified the number at 28 states. Prior to enactment of federal health care reform the trend was toward stricter regulation. According to the National Conference of State Legislators, five states enacted statutes in 2009 to require prior approval of rates (CT, FL, GA, IN, OH).

Rate approval can be a powerful tool to protect consumers from unjustified rate increases. Colorado enacted a prior approval law in 2008 and in the first six months of implementation almost 50% of proposed rate increases were denied or withdrawn.

Consumers are wary of insurers, with good reason. During the past decade and even during the recession they have done well. In 2009 the nation's five largest health insurance companies—Wellpoint, UnitedHealth Group, Cigna, Etna and Humana—accumulated combined profits of \$12.2 billion, up 56% from 2008, at a time when nominal GDP decreased by 1%. Pennsylvanians are hurting, our large insurers, apparently, are not.

The Pennsylvania General Assembly could help insurance remain affordable for individuals and small businesses by enacting a law to strengthen the Pennsylvania Insurance Department's ability to protect consumers. The law should:

1. Give the Insurance Commissioner the authority to review and approve rates.
2. Create standards to determine whether rate increases are justified
3. Create a clear and transparent process for rate review and approval.
4. Provide for informed consumer input into the rate process.
5. Ensure the Pennsylvania Insurance Department has adequate capacity to independently review rate requests in a timely manner.

Thank you for this opportunity. I will turn things over to my colleagues.

Sources:

Families USA. *Rate Review: Holding Health Plans Accountable for Your Premium Dollars*. Washington, DC, April 2010 found at [www.familiesusa.org](http://www.familiesusa.org)

National Association of Insurance Commissioners and the Center for Insurance Policy and Research. *Brief: Health Insurance Rate Regulation*.

National Conference of State Legislatures. *State Approval or Disapproval of Insurance Rate Increases*, found at [www.ncsl.org/default.aspx?tabid=19787](http://www.ncsl.org/default.aspx?tabid=19787)

