



Frequently Asked Questions on Rate Filing, Rate Reviews and Approval of Health Insurance Rates in Connecticut

As the cost of health care continues to rise, many insurance companies and health maintenance organizations (HMOs) are seeking to increase premium rates.

Below are frequently asked questions about how health insurance rates are set, as well as some new initiatives to strengthen the rate review process and make it more transparent and understandable.

1. What causes health insurance rates to escalate?

Rates are driven in large part by medical care spending, which is growing because of many factors including increased use of health care services, new technologies, prescription drugs, an aging population, and unhealthy lifestyles. Rate changes occur when existing premiums are no longer sufficient to cover projected claims and administrative costs for that policy.

2. Are insurance companies required to seek approval from the Insurance Department before raising health insurance rates?

The Insurance Department is the only state agency which has been designated in law by the General Assembly to have authority over commercial insurance products. Connecticut has always had strong protections in place for rate review on health plans. Further protections have been added under the federal healthcare reform legislation.

Rate review varies by product as shown below:

Individual Health Plans:

Under its statutory authority, the Insurance Department reviews requests for increases on all individual health plans. By law, these health insurance rate increases must be approved by the Insurance Department before an insurance company may increase their prices to their customers.

Small Employer Plans (1 – 50 Employees):

The Insurance Department reviews health insurance rates used in calculating premiums for small employer plans. Small employer rates may be adjusted based on the specific employer's geographical area and group size, as well as the age, gender and family size make-up of the group.

Plans offered by HMOs must be filed for prior rate approval. Plans offered by indemnity insurance companies are reviewed to ensure rate increases are justified. Rates found to be unreasonable are reported to the U.S. Department of Health & Human Services (HHS).

Large Employer Plans (50+ Employees):

The Insurance Department reviews health insurance rates for HMO plans available to large employers (50+ employees). These rates may be modified by the insurance company to adjust for the actual claims experience for the specific employer's group plan.

3. Are there any plans that are not subject to rate review of the Connecticut Insurance Department?

Yes, employer groups that self-fund their plans are not subject to Insurance Department oversight because under law they are not insurance plans, but rather are regulated by the U.S. Departments of Labor, Health and Human Services and Treasury. Under self-funded plans, it is generally the employer and not the insurance company that funds and pays the claims. In that instance, an insurance company is often used only as a third party administrator paying claims under the direction of the employer.

Also, insured plans written outside the State of Connecticut are not under the Connecticut Insurance Department's rate authority.

4. Does the Connecticut Insurance Department approve the amount that employees or retirees are required to contribute to their health insurance premium by their employer?

No, employee contributions are set at the discretion of the employer and are not subject to approval or review by the Department.

5. What process does the Insurance Department use when reviewing requests from insurance companies for a rate increase?

Health rate filings are submitted electronically to the Insurance Department. In order to evaluate the merits of this request, the Insurance Department requires detailed information about the prior premium and claims history for that policy form and the projected medical claim trends anticipated by the company for the upcoming renewal period.

The Insurance Department's Actuarial staff then thoroughly reviews this information to verify the actuarial assumptions presented in the rate filing, and when necessary requests additional data to substantiate the information presented. If the Department's Actuarial staff does not agree with an actuarial assumption presented by the insurance company,

the Insurance Department will require the insurance company to revise the filing to reflect the Department's assumptions, resulting in a lower rate request.

6. Are all health insurance plans offered by an insurance company affected when an insurance company requests a rate increase request?

No, in general rate increase filings sent to the Insurance Department are reviewed in relation to a specific policy form filing and are not general rate increases for all plans. The claims experience considered by the Insurance Department represents the total claims generated by Connecticut policyholders/certificateholders who are enrolled in the same policy form submitted for rate review.

7. What is the basis for the Insurance Department's authority for rate approvals?

The Insurance Department authority to review rates is defined by Connecticut General Statutes and is limited to review based on the following three criteria: whether the rates are excessive, inadequate, or unfairly discriminatory. These terms are generally understood to mean:

Excessive Rates – are rates that are unreasonably high in relation to the benefits provided and the underlying risks.

Inadequate Rates – are rates that are unreasonably low in relation to the benefits provided and the underlying risks, and continued use of the rates would endanger the solvency of the insurer.

Unfairly Discriminatory Rate – is a rate which is not actuarially sound and is not applied in a consistent manner so that resulting rate is not reasonable in relation to the benefits and underlying risk.

When a health insurer or HMO requests a rate increase, the Department's Actuarial staff reviews many factors, including the submitted data showing the cost of medical care and prescription drugs, the company's past history of rate changes, the financial strength of the company, actual and projected claims, premiums, administrative costs, and profit. The Department approves the request if the carrier can show that the new rate is not excessive, inadequate, or unfairly discriminatory in relation to the benefits provided. If the carrier's data does not fully support the increase, the Department will ask for more information, approve a smaller increase, or reject an increase.

8. Are other factors taken into consideration in making rate increase determinations such as executive compensation?

No, the Insurance Department rate authority is defined by law and is based on an actuarial review of rates based on claims expenses for a particular policy form. There is no authority in place to make rate increase determinations in relation to other factors including executive compensation.

9. Why do health insurance rates increase for policyholders who experienced little or no claims?

Insurance is designed to spread the cost among all individuals who purchase a particular policy. All individuals who buy insurance share in the overall experience of the group so that the cost of claims is spread among all members.

The protection given to consumers under insurance provides an equitable vehicle to ensure that consumers uniformly share in the benefits and risks of the plan regardless of their personal claims experience for that given policy year.

10. What is Connecticut doing to improve the rate review process and make it more transparent?

The Insurance Department posts all health insurance filings on its website and makes them available to the public. Consumers may track the status of upcoming rate reviews from the initial date of submission by the insurance company, to the final actuarial decision by the Department. During the rate review process, consumers may post relevant comments about the specific rate filing that will be reviewed by the Department and their comments are made a part of the filing record.

The Insurance Department encourages policyholders with individual health insurance coverage to sign-up for e-alerts so that they are notified when rate filings are posted; and to receive periodic information posted on insurance related topics. Individual policyholders will also receive prior notification from their insurance company when a proposed rate increase is filed with the Insurance Department.

11. What can consumers and small employers do if they wish to they wish to shop for coverage?

Connecticut has a competitive health insurance market with many companies that sell individual medical insurance coverage and small group health plans. Connecticut consumers and small employers, therefore, have a variety of companies and plans from which they can comparison shop and choose the right plan. The Insurance Department has information on its website showing the companies who market health insurance in Connecticut along with their contact information.

Beginning in 2014, consumers will have a new option for purchasing health insurance when Connecticut will establish a Health Insurance Exchange. The Exchange will offer consumers and small businesses a marketplace in which to shop for various health insurance plans. The Exchange will also offer federally sponsored premium tax credits and cost-sharing reductions to qualified participants.

12. What additional protections are available to Connecticut consumers under Federal Healthcare Reform?

Major changes to health care are occurring at the federal level. National health reform is intended to have a significant impact on how health insurance is structured across the nation including greater accountability on how insurance companies set prices. Important new protections include a requirement that insurers of individual and small group health plans spend at least 80% of premium on direct medical care and efforts to improve the quality of care. Insurers selling to large groups must spend 85% of premiums on medical care and quality improvements

For more information about the federal healthcare reform law, click on the Health Care Reform link on our website at www.ct.gov/cid or call our Consumer Affairs Department at 1-800-203-3447.

13. Where can I submit a new question that wasn't answered here?

Consumers interested in having the Connecticut Insurance Department review an insurance complaint or consumers who have questions about their individual situation, may contact us for assistance:

Connecticut Insurance Department

Consumer Affairs Division

(800) 203-3447 – Toll Free from Outside Hartford

(860) 297-3900 – Direct Line

Email: cid.ca@ct.gov

www.ct.gov/cid