

State of Connecticut

SENATE

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August 1, 2016

Commissioner Katharine L. Wade
ATTN: Rate Filing Hearings
Connecticut Insurance Department
P.O. Box 816
Hartford, CT 06142-0816

Commissioner Wade,

I would like to submit the following written comments for your consideration as you review the 2017 insurance rate increase filings made by multiple individual and small group plans both on and off the Connecticut health exchange. While I understand that public hearings are only being held for three filings for individual plans, I would like to submit comments regarding the rate filings as a whole.

As your office has indicated, a total of 14 health insurance companies have made 18 filings on plans that provide coverage to 332,126 people in the state, with the average rate increase requests range from 2.1 percent to 32 percent. Such drastically high increases in many cases will create significant burdens for Connecticut families. While I understand the role inflation plays in rising costs, many of these increases are far above medical inflation rates and will make it extremely difficult for families to afford continued coverage and care.

According to the Insurance Department, the key drivers of these rate increase requests include the high costs of health care and preventative services; the increased demand for services from newly insured individuals under the Affordable Care Act (ACA) who have become more familiar with the health care system and are now seeking more services, resulting in higher than planned for claims costs; as well as the elimination of federal funds the ACA provided to insurers during the first three years of ACA implementation.

I believe that these driving factors for the rate increases, while they pose significant challenges for the insurance industry, should not result in such dramatic rate increases for consumers to the point where individuals will be deterred from investing in insurance for themselves and their families. The fewer families are able to actually afford and purchase insurance, the worse the industry's problems will become. Dramatic rate increases are only a short term solution that would actually worsen the long term problem. We need to focus on a holistic approach to reduce the cost of care, increase preventative services, and improve efforts to get people basic care earlier and more often. Increasing rates by such large amounts does not advance the long term holistic approach.

The Affordable Care Act was initially sold as a step forward for health care. It was touted as a sound, robust way to improve access to health care and reduce costs while maintaining quality services. While it was designed to support more affordable and accessible care, we cannot ignore that it has led to higher costs and increased barriers in many cases. For example, while the ACA requires that insurers spend at least 80 percent of premiums on medical care, not overhead or profits, some insurers are finding that claims payments are totaling in some cases “not just 80 percent, but more than 100 percent of premiums. And that, they said, is unsustainable,” – according to a [NY Times](#)¹ report. The explanation for this is that the population they cover is less healthy than expected, and therefore more expensive. It speaks to my deep concerns about sustainability.

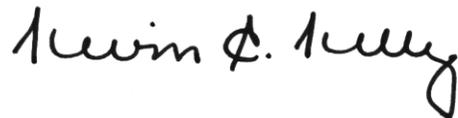
It was well known that there would be an increased demand for services from newly insured individuals when the ACA was implemented. As more people purchased health insurance, the more services would be used and the more spending for care would increase. While Republicans warned repeatedly that we were concerned that this foreseeable effect could be problematic, Democrats ignored our concerns about sustainability. We feared that this system, in which it was uncertain how many healthy people would need to purchase insurance to help offset the costs of caring for the sick, would be completely unsustainable. But our calls for measurements and predictability were pushed aside in favor of a more optimistic view. Now today, insurance companies are confirming that exactly what we feared has happened. Those receiving medical services are costing insurers more than they can afford because the system is not balanced. It’s creating burdens for consumers and insurers alike.

The planned ending of the ACA’s first three years of federal funding is also making it more difficult for the entire insurance industry to sustain service, meet the high-demand needs of new consumers, and keep costs down. I understand their struggles and the challenges they face. But the response to the loss of federal funds should not be to sharply increase burdens on consumers. We must work together to do everything we can to minimize the impact on our families so that we can encourage more people to get the health insurance and medical care that their families need.

Taxpayers should not be expected to subsidize the insurance industry forever nor should consumers be expected to shoulder ballooning costs each and every year if they want to preserve and maintain the same level of care for themselves and their families. The public, as well as the insurance companies, have been asked to adapt to make the Affordable Care Act work. I believe the public has already been forced to take on too many burdens. These dramatic rate increases would be yet another weight on our families making it more difficult to care for our loved ones and deterring people from getting the insurance and care that they need.

I urge you to continue to consider the needs of our families and the affordability and accessibility of health care as you review the proposed insurance rate hikes. We must do everything we can to prevent such large burdens from falling onto our families as a result of the Affordable Care Act’s shortcomings.

Sincerely,



Kevin C. Kelly
State Senator (R-21)

¹ “Health Insurance Companies Seek Big Rate Increases for 2016.” New York Times. July 3, 2015.
http://www.nytimes.com/2015/07/04/us/health-insurance-companies-seek-big-rate-increases-for-2016.html?_r=1