

Dannel P. Malloy

GOVERNOR
STATE OF CONNECTICUT

September 2, 2016

The Honorable Sylvia Mathews Burwell
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Burwell:

Since the passage of the Affordable Care Act (ACA), Connecticut has worked hard to foster a strong and vibrant health insurance market, including establishing and operating an effective state based exchange that to-date has provided coverage for 100,000 Connecticut citizens. As a result of the ACA, more people in Connecticut and across the country enjoy the security of health insurance coverage and they are using their insurance coverage for preventive care and other medical treatment.

This year, Connecticut, like many states, is experiencing rising health care costs of 10 percent or more due to increased demand for services and high prescription drug costs. We are also experiencing the negative consequences of the sunset of the Federal Reinsurance Program at the end of 2016, as well as market volatility from the Federal Risk Adjustment Formula. As a result of these factors, the Connecticut Insurance Department approved rate increases for the 2017 benefit year higher than in past years because they were actuarially justified. For 2017, the average individual rate increase on and off the exchange is 24.48 percent and the average small group rate increase on and off the exchange is 12.88 percent.

I am very concerned and disappointed that these rate increases must occur. While I recognize that they are the reality, it is imperative that further action is taken at the federal level to stabilize rates. To fail to act is to fail consumers in Connecticut and nationally.

Connecticut is committed to working with your department to ensure access to quality care while simultaneously addressing health care costs. The Connecticut Insurance Department has raised concerns, both directly with the Center for Medicaid and Medicare Services (CMS) and through the National Association of Insurance Commissioners, with the current risk adjustment formula and has suggested modifications that would help achieve a formula that provides greater stability to foster a more robust health care market. CMS recently has taken steps to stabilize the marketplace, particularly with the proposed rulemaking released this week to support issuers

with high-cost enrollees, update the risk adjustment, improve the risk pool, and improve enrollment growth.


While I appreciate the proposed updates to the Federal Risk Adjustment Program, scheduled for 2017 and 2018, I strongly believe that the implementation of these changes should be accelerated, preferably for the 2017 benefit year. Although these updates are a step in the right direction, I believe that more must be done to help create stability in the market sooner than later.

I continue to be concerned that the pricing for the 2017 benefit year is required to be developed in the summer of 2016, at a point when carriers and regulators only have 2014 and 2015 benefit year payment and receipt reports to use as a basis for the risk adjustment pricing in 2017. As the marketplace evolves, carriers continue to leave and/or enter the market causing wide swings in the make-up of each carrier's membership from year-to-year. As a result, the risk profile of the membership the carrier actually experiences in 2017 may differ dramatically from that in 2014 and 2015, yet carriers are being asked to price and regulators are being asked to review risk adjustment pricing as described above.

It is encouraging that CMS is proposing to remove potential obstacles to more consumer choice by allowing more flexibility for innovative plan designs without sacrificing important consumer protections. However, we strongly believe that CMS' proposed broader de minimis range for the actuarial value of bronze plans to permit greater flexibility in benefit design should be expanded to all metal tiers. Greater flexibility in benefit designs promotes greater choice for consumers and offers the potential to lower premium rates and thereby facilitate increased enrollment in the Marketplace. In addition, Connecticut would like to work with CMS to encourage and promote the use of innovative networks that focus on quality and lowering cost to provide consumers with more choice and value.

Connecticut embraced the ACA from the very start as a Medicaid expansion State and remains proud of the work we have accomplished together with our federal partners. I stand ready to continue to work with you and your team to stabilize the health insurance market and provide consumers with affordable health insurance options that meet their needs for the citizens of our state and for all Americans.

Sincerely,



Dannel P. Malloy