



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, the price of health insurance policies increases to reflect the higher cost of providing insurance coverage. The impacts of higher medical costs and significantly higher prescription drug prices are trends that are not only affecting Connecticut policyholders, but consumers nationwide.

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

What causes health insurance rates to increase?

Rates are driven in large part by medical care spending, which is growing because of many factors including, but not limited to, increased use of health care services, increased cost of health care services, new technologies, increased cost and use of 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.

What is the Connecticut Insurance Department's role in regulating health insurance rate increase requests?

The Insurance Department is the only state agency 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 were also added under the federal Affordable Care Act 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 the ages of employees and their dependents covered under the plan.

Plans offered by Health Maintenance Organizations (HMOs) and indemnity insurance companies must be filed for prior rate approval. All plans are reviewed to ensure rate increases are justified.

Large Employer Plans (50+ Employees): The Insurance Department reviews health insurance rates for HMO plans available to large employers (50+ employees). The insurance company may modify these rates to adjust for the actual claims experience for the specific employer's group plan.

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

Yes, employer groups that self-fund their plans are not subject to Insurance Department oversight, but are regulated at the federal level by the U.S. Departments of Labor, Health and Human Services, and the Treasury. Under self-funded plans, the employer is responsible for funding the claims expenses under the health plan. An insurance company or other entity is often used as a third-party administrator paying claims under the direction of the employer.

Additionally, insured plans written outside the State of Connecticut are not under the Connecticut Insurance Department's rate authority, nor are large Connecticut employer plans offered by indemnity insurance companies.

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 by the employer and are not subject to approval or review by the Department.

What process does the Insurance Department use when reviewing an insurance company's request for a rate increase?

Health rate filings are submitted electronically to the Insurance Department. 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 if 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 revised rate change.

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/certificate holders enrolled in the same policy form submitted for rate review.

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 the 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.

What other federal protections are in place that protect consumers in rate increase reviews?

New important provisions under the federal Affordable Care Act are aimed at providing greater accountability on how insurance companies set prices. This includes 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 of large group health plans must spend 85% of premiums on medical care and quality improvements.

How does the Department make the final rate increase determinations?

The Department approves the rate request if the carrier can show that the new rate is not excessive, inadequate, or unfairly discriminatory in relation to the benefits provided and the rates meet the spending requirements under the Affordable Care Act. 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.

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.

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. These comments are included as 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.

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

Connecticut has a competitive health insurance market with many companies that sell individual health 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.

In addition, individual consumers and Connecticut small businesses have the option of purchasing health insurance through Connecticut's official health insurance marketplace, Access Health CT. Access Health CT offers consumers and small businesses a place in which to shop for various health insurance plans. Access Health CT is the only party who also offers federally sponsored health premium subsidies and cost-sharing reductions to qualified participants. Further information can be found at <https://www.accesshealthct.com/>.

For help with all your insurance questions, contact the Connecticut Insurance Department:

- Ask a question or file a complaint [online](#)
- Email your complaint to: insurance@ct.gov
- Call the Consumer Helpline at **800-203-3447 or 860-297-3900**
- Sign up for [e-alerts](#) to get the latest news, warnings and rate changes that may affect your premium
- Download consumer [FAQs](#) on health, homeowner and auto
- Use the [Department's Speakers Bureau](#) for public events.
- Visit our Web site and follow the Department on Facebook, Twitter, or YouTube
- Write to CID at:
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