



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Consumer Information and
Insurance Oversight

200 Independence Avenue SW
Washington, DC 20201

October 18, 2010

Thomas R. Sullivan
Insurance Commissioner
Connecticut Insurance Department
P.O. Box 816
Hartford, Connecticut 06142

Dear Commissioner Sullivan:

I am writing to express our deep concern about your recent decision to approve the extremely large premium increase sought by the Anthem Insurance Company. At a time when American families are struggling to meet their most basic needs, these rate hikes could lead a number of residents of your state to lose their health coverage.

On August 12 of this year, the Department of Health and Human Services made a \$1 million grant to the Connecticut Insurance Department (CID) to enable the CID to improve its oversight of insurance company rates and to strengthen its ability to determine whether proposed rate increases were excessive. In seeking this grant, the CID proposed to use grant funds to contract with consultants to test and validate proposed rates and rate assumptions; to hire more hearing officers and court reporters for the holding of additional rate hearings; and to publish on its website any justification an insurance company has submitted for a proposed increase, along with any CID analysis of the increase and any correspondence between the insurer and the CID.

HHS is therefore surprised that, after being awarded this grant, the CID has approved a substantial increase by Anthem Insurance Company without holding a public hearing, without having tested or validated the proposed rates and the assumptions underlying those rates, and without publicly disclosing any data filed by Anthem, analysis done by the CID, or correspondence between the CID and Anthem.

The CID's approval of the rate increase is particularly troubling in view of Anthem's acknowledgement that three of the major consumer protections of the Affordable Care Act – prohibiting lifetime limits, prohibiting insurers from cancelling coverage, and requiring insurers to offer dependent coverage to young adults until age 26 – would increase costs by only 0.2 percent. Similarly, another major insurer in Connecticut has acknowledged in its own rate filing that health insurance reform would raise costs by a total of only 1 percent, an estimate consistent with that of Hewitt Associates, the impact analyses of these provisions published in the Federal Register, and those of other insurance industry experts. The Affordable Care Act cannot be used to justify this huge rate hike and, in fact, includes provisions to empower states to shed light on and guard against this type of excessive insurer behavior.

Moreover, the CID appears to have applied less scrutiny to Anthem's current increase than it did to the increase Anthem proposed last year. Specifically, on June 9, 2009, almost a year before the enactment of the Affordable Care Act, Anthem sought the CID's approval to increase its rates by up to 30 percent. In response to that proposal, the CID held a hearing at which it permitted both Anthem and those opposing the increase to testify, and issued a written opinion and an order reducing the proposed increase. As such, we do not understand the basis for the CID's refusal to conduct a hearing or to issue a written opinion this year when the proposed increase is even higher.

The CID asked for and received from the federal government a \$1 million grant based on its representation that it would rigorously review rates "consistent with the goals of the Affordable Care Act to ensure consumers receive value for their premium dollars." HHS therefore asks that the CID hold a hearing on the increase it has approved, test and validate the assumptions underlying that increase, and make all data filed by Anthem and all analyses of the filing by the CID and correspondence between the CID and Anthem public. The consumers of Connecticut expect and deserve transparency and a fact-based rationale as to why their rates are increasing.

Sincerely,

/Signed, October 18, 2010/

Jay Angoff
Director