

## State grabs reins on rate hikes

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Calling the state's decade-long deregulation of health insurance premiums "a failed experiment," Gov. David A. Paterson this month signed into law a bill that reinstates the state Insurance Department's authority to review and approve premium increases before they take effect.

The reform measure was welcomed by the Westchester County Association as a benefit to both businesses and consumers. The WCA's Blue Ribbon Task Force since 2005 has made renewed regulation of insurance premium hikes a cornerstone of its health care reform platform in Albany.

The new law requires health insurers and health maintenance organizations, HMOs, to apply to the state Insurance Department to implement premium increases. The department will review applications to ensure that proposed rates are justified and not excessive and can approve, modify or disapprove them. The law will apply to all rate increases that take effect on or after Oct. 1.

Since 2000, the state had been limited in its ability to disapprove health premium hikes by a law that allowed the insurance industry essentially to regulate itself.

"Deregulation of health insurance premiums is a failed experiment leading to unjustified premium increases and more people losing their health insurance coverage," Paterson said in a statement at the bill's signing. The reform measure will help make coverage more affordable for small businesses and individuals, he said.

The legislation also will require health insurers and HMOs to spend more of every premium dollar they collect on medical claims. It raises the medical loss ratio – the percentage of premium spent to provide medical care – from 75 percent to 82 percent for small businesses and from 80 percent to 82 percent for individuals.

Paterson said the restored prior-approval authority also will give the state "the tools necessary to make sure federal health care reform is implemented in a fair and efficient manner." Under the

federal Patient Protection and Affordable Care Act, health insurers will be required to justify rate increases deemed unreasonable and the percentage of premiums spent on patient claims, quality of care, taxes and administrative costs.

State Insurance Department Superintendent James J. Wrynn said the state law also will ensure that insurers comply with the requirements of the health insurance exchanges that will open in 2014 as a key part of the nation's expanded health coverage program.

The state law also allows policyholders and the public to comment to the insurer and the Insurance Department on a rate application. The state agency is required to post relevant comments on its website. Small businesses and individuals will be notified 60 days before a rate increase takes effect rather than the current 30-day notice, giving them more time to consider alternative coverage options.

WCA President William M. Mooney Jr. said the business group hopes state insurance officials "will hold insurers to the medical loss ratio requirements and will be vigilant about what goes into the HMOs' definition of medical costs."

The WCA's task force in 2005 began investigating HMO practices and the impact on health care infrastructure, a key economic driver of this region. Together with the Suburban Health Care Alliance it helped create, the WCA in recent years has lobbied successfully in Albany for incremental changes in market practices of insurers.

"We need our legislators to step up to the plate and end the unfair market dominance of health insurers over business and health care providers," WCA Chairman and task force member Alfred B. DeBello said in a prepared statement. "We are pleased that the Governor also recognizes the need to restore the tools to better monitor and manage the marketplace for health insurance rates. The reinstatement of prior approval will help accomplish that."