



Dannel P. Malloy

GOVERNOR
STATE OF CONNECTICUT

July 1, 2011

The Honorable Denise W. Merrill
Secretary of the State
30 Trinity Street
Hartford, CT 06115-0470

Dear Madam Secretary:

I am hereby returning, without my signature, substitute Senate Bill 11, *An Act Concerning the Rate Approval Process for Certain Health Insurance Policies*. While I am deeply concerned about rising healthcare costs – including the cost of health insurance premiums – I am convinced that SB 11 will not reduce the cost of insurance premiums in this state. The Connecticut Department of Insurance already conducts an objective actuarial analysis of each and every rate increase request. The Department regularly rejects rate increase requests that are not actuarially warranted. The current process fully protects Connecticut's residents from excessive and discriminatory rate increases. SB 11 creates an unnecessary and expensive mandatory public symposium process in addition to the process already followed by the Department of Insurance.

The enactment of SB 11 would mandate that the Commissioner of the Department of Insurance hold up to 15 public symposiums per year. These symposiums would be triggered when a rate increase request exceeds 10 percent and the Attorney General or the Healthcare Advocate requests a symposium. The Office of Fiscal Analysis estimates that this new symposium requirement would add approximately \$181,800 to the current budget, which is already under great stress. Indeed, costs to the state could be higher than this estimate, because the OFA analysis does not take into account whether the added responsibilities required of the Attorney General and the Healthcare Advocate would increase personnel costs and other expenses. These costs would be charged to the state's insurance fund and eventually passed on to consumers.

SB 11 also conflicts with the Patient Protection and Affordable Care Act (PPACA), which is federal healthcare reform that I support and believe should be given an opportunity to succeed. Pieces of legislation like SB 11 that were introduced in prior sessions of the General Assembly preceded federal healthcare reform and were an understandable result of Congress' longstanding failure to act in this area. Since the passage of the PPACA, however, the U.S. Department of Health and Human Services (HHS) has developed regulations outlining its definition of an Effective Rate Review Process under the PPACA. Connecticut's current system meets and exceeds those standards. Further, in formulating the Effective

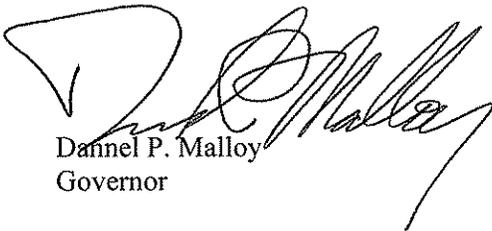
Rate Review standards, HHS considered and rejected a proposal mandating public hearings. HHS has concluded, as I do, that a mandatory public hearing process will not improve the rate review process.

HHS does require that states develop a mechanism to allow the public to review rate filing documents and provide comment. Connecticut's Department of Insurance has already done this and more through the comprehensive rate filing section of its website. On the site, consumers are able to review all rate filing documents submitted by the insurer during the rate review process as well as all correspondence exchanged between the provider and the department. Consumers are also provided an opportunity to submit comments directly to the Department. This is a far better and more cost-effective system to facilitate transparency in the rate review process than mandatory public symposiums.

Finally, I am concerned that SB 11 will have a significant long-lasting negative impact on Connecticut's residents, by driving out competition in the state's insurance market. It is unlikely that many states, if any, will adopt rate review standards that are appreciably more burdensome than those recently published by HHS. If SB 11 becomes law, Connecticut's rate review process would become much more onerous and less predictable than the federal standards contemplate. The increased burden and uncertainty caused by those portions of SB 11 that go beyond federal standards will likely cause insurers to reduce the number of products that they are willing to offer Connecticut residents. Less competition in the Connecticut insurance market will increase the cost of health insurance for Connecticut's residents, not decrease it as SB 11 intends. Therefore, I conclude that SB 11 is bad for the people of Connecticut and I will not sign it into law.

For the reasons outlined above, and pursuant to Section 15 of Article Fourth of the Constitution of the State of Connecticut, I am therefore returning substitute Senate Bill 11, An Act Concerning the Rate Approval Process for Certain Health Insurance Policies, without my signature.

Sincerely,



Dannel P. Malloy
Governor