



ASSURANT
Health

Chairperson Roberts and honorable members of the Committee, Assurant Health is a national health insurer that offers affordable health care options to small employers and individuals in over 40 states. We are a leading advocate for the Consumer Directed Health Care movement marketing Health Savings Accounts (HSAs) throughout the country.

We commend Senator Cote for his efforts to assemble a legislative package intended to increase competition in the Individual Medical market, providing Rhode Island consumers access to more affordable health care options. Our organization supports all five of these bills, specifically S. 424, S. 419, S. 428, S. 423, and S. 421.

Prior to October 2002, Assurant Health, then Fortis Health, had two licensed insurance carriers in Rhode Island marketing Individual Medical PPO and indemnity plans. These two carriers were Fortis Insurance Company and John Alden Life Insurance Company. Following the enactment of the Health Care Accessibility and Quality Assurance Act (the ACT), Assurant Health worked diligently with the Office of Managed Care in the Rhode Island Department of Health to exempt itself from the requirements the Act. After no reasonable resolution was reached, Assurant Health made the difficult decision in October 2002 to exit the Rhode Island Individual Medical market because of excessive compliance costs and imminent liability under the Act.

Assurant Health offers PPO plans that are structured differently than managed care plans. They do not require an insured to select a primary care physician, nor do PPO plans significantly limit or restrict out of network benefits. Additionally, PPO plans do not contract for the provision of medical care, they simply provide reimbursement for covered services at a negotiated rate. Assurant Health does not contract directly with health care providers. Instead we contract with existing networks of providers. These networks are required by the Department of Health to comply with provisions of the ACT. For these reasons, we encourage your support of S. 424, a bill that would exempt PPO products from the managed care provisions under Chapter 23-17.13, the Health Care Accessibility and Quality Assurance Act.

As a national health insurance leader, Assurant Health can provide a unique perspective into what constitutes a viable and competitive health insurance market. Two primary factors for a competitive market are state alternative mechanisms for guarantee issue of coverage and speed to market for rate and form filings. S. 419 would establish a state individual risk pool to serve as the insurer of last resort for the state's guarantee issue laws for individuals with chronic health conditions and as the guarantee issue mechanism for federally qualified individuals under the Health Insurance Portability and

Accountability Act (HIPAA) and the Trade Adjustment Act (TAA). Guarantee issue laws, although well intended, typically lead to adverse selection in the Individual Medical market as consumers tend to only purchase coverage when it is needed. In addition, it allows consumers to purchase purely catastrophic coverage with high deductibles and then to buy down to more comprehensive coverage when presented with a health condition. To put this in perspective, it equates to purchasing homeowners insurance while your house is on fire or purchasing auto insurance after an accident has occurred. Thirty-three states across the country have established risk pools to serve as the state's guarantee issue mechanism. We understand risk pools require significant consideration including data research and studies. Assurant Health encourages your support of S. 419 and is willing to work with this committee to consider alternative stop-gap measures to Rhode Island's guarantee issue laws that would attract health insurance carriers into the Individual Medical market, absent a risk pool.

Speed to market is the second critical factor for a competitive market. It is imperative that carriers, especially new entrants and small health insurers alike, have the flexibility to adequately price and adjust rates to immediately respond to market forces. Smaller carriers can easily be pushed out of a market if a competitor makes an aggressive marketing decision. If a carrier like Assurant Health cannot adequately respond, the consequences can be immediate, creating a competitive advantage for one carrier and potentially causing market disruption. S. 428 would allow for speed to market flexibility, and we encourage your support. A majority of the states allow for the file and use of rates. It is not the intent of S. 428 to remove or diminish the regulatory authority from the Commissioner of Insurance or the Attorney General's Office. The intent is to promote and sustain competition in the market. Assurant Health is willing to work with the committee to pursue alternative options such as allowing new market entrants to file forms with the Department of Insurance that include a guarantee life time loss ratio minimum. A carrier would be required to file its rates with the Department for informational purposes and certify each year that its rates adhere to the stated loss ratio. If the loss ratio for the year is lower than anticipated, the carrier must refund premium to its customers. This has proven to be successful in many states striking a reasonable balance between consumer protection and speed to market. Assurant Health encourages your support of S. 428 and is available to work with the committee as needed to provide additional information on the guaranteed life time loss ratio minimum.

As a leading marketer of HSA plans, Assurant Health support S. 423, a bill that would exempt federally qualified plans from the early intervention mandate and allow the sale of HSA plans in Rhode Island. In addition, we also encourage your support of S. 421, a bill that would allow those carriers that left the Individual Market within the past five years the opportunity to return prior to the federal and state mandated five year sit-out period. This will expedite the return of competition in the Rhode Island Individual Medical market.

Assurant Health Testimony
Rhode Island Senate Committee on Health & Human Services
April 13, 2005

We appreciate the efforts of this Committee to consider these comprehensive reforms in an effort attract more carriers into the Rhode Island Individual Medical market. As a carrier that would directly benefit from these reforms, we would welcome the opportunity to once again serve Rhode Island consumers; however we must emphasize one point: These reforms, if passed collectively, will provide the immediate return of competition in Individual Medical market. Without the passage of the entire reform package, it will be viewed by the industry more as a move in the right direction, and will be less likely to immediately attract carriers into the market.

Thank you for the opportunity to submit testimony on these very important pieces of legislation. We encourage your support of the entire reform package. Please feel free to respond to me directly with any questions you or the Committee might have.

Respectfully,

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