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In-Person Testimony of Chris Petersen on behalf of a Coalition of Health Insurers

In Support of HB 2810

Provided to the House Committee on Insurance on March 6, 2024

Chairman Sutton and Members of the House Committee on Insurance:

I am writing on behalf of a coalition¹ of health insurers representing the country's largest major medical insurers and health maintenance organizations in support of HB 2810.

The coalition's support for HB 2810 is based on two key points. First, consumer protection and the financial stability of the guaranty association safety net go hand in hand. Several members of the major medical health insurance industry and the life insurance industry understand that we have a societal obligation to provide a strong safety net to consumers – and we believe this bill does that. Second, in order to ensure that consumers of insolvent insurance companies continue to receive the medical treatment promised to them under the terms of their insurance policy, providers rendering services under those policies must be made financially whole in the event of an insolvency.

The guaranty fund system provides a critical consumer protection designed and intended to ensure that consumers can purchase insurance products safe in the knowledge that their coverage will be protected if there is a future insolvency. As we have seen in several states, the major medical health insurance industry cannot continue to absorb the cost of future long-term care insurance insolvencies. Long-term care insurance, while classified as "health" policies are not written by major medical insurers in any material way. Our industry has no more than 3% of the long-term care writings nationwide, yet, under the current system, we are required to shoulder almost 75% of the costs of these insolvencies. The major medical health insurance industry, and the individuals and employers purchasing health insurance, cannot and should not be expected to bear such a disproportionate share.

¹ The members of this coalition, CVS Health/Aetna, Anthem, Cigna and UnitedHealthcare, together provide health coverage to more than 227 million members worldwide and offer a wide range of health offerings including major medical coverage and HMO products.

In 2017 the major medical health insurance industry and the American Council of Life Insurers and many of their member companies worked together with the National Association of Insurance Commissioners (NAIC) to reform the existing system in a way that recognizes the societal benefits of a functioning and fair safety net for consumers by (1) broadening the base of assessed insurers to include HMOs and (2) equally splitting the assessment burden between health and life insurers. In our view, the system reforms currently under consideration by this Committee today will ensure that the safety net will be available to consumers of long-term care products in the event of future insolvencies. To date, over thirty-five states have enacted this critical consumer protection legislation that mirrors the reforms outlined in the NAIC model.

Another critical component to ensuring the existence of a viable safety net for consumers is recognizing and making allowances for how health care coverage has evolved. There are new products and new competition in today's marketplace. The existing law favors one type of health coverage (HMOs) over other types of health insurance coverage. This creates an unjust and inequitable situation for consumers, who are denied the ability to purchase health care products in a robust and competitive market. It also creates an unfair situation for HMO subscribers, and the health care providers who provide them with care, who under existing law do not receive protection by the guaranty fund system. HB 2810 will ensure like treatment of all health insurance products and ensures that individuals covered under, and providers participating in, an HMO are protected in the case of an insolvency.

We have all seen over the last several years how large and complex long-term care insurance insolvencies can be. Our colleagues in the life insurance industry share our concerns. They have voluntarily agreed to accept half of any future long-term care insurance insolvency assessment. The life insurance industry stepped up in recognition that the stability of the state-based system requires a unique and creative solution that recognizes the insurance industry's societal obligations to provide consumers with a strong safety net and we believe this bill strengthens that safety net.

Thank you for the opportunity to share these comments and we strongly urge you to support HB 2810.

Chris Petersen
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On behalf of a coalition of health insurers