

**Senator Dianne Feinstein**  
**Testimony on Health Insurance Rate Authority Act of 2010, S. 3078**  
**HELP Committee Hearing**  
**April 20, 2010**

I would like to thank Chairman Harkin, Ranking Member Enzi and members of the Committee for inviting me here today to address what I believe to be a missing piece of health care reform: the ability to block unreasonable premium increases.

Without further legislative action, I am concerned that health insurance companies will continue to do what they have done for far too long: put their profits ahead of people.

Premium increases are forcing Americans to choose between keeping health care coverage and making their mortgage payments, all while big national insurance companies enjoy increasing profits.

**Anthem/ Blue Cross**

Everyone by now is familiar with the increases that Anthem/ Blue Cross of California is seeking to impose on 800,000 Californians. Rates will go up, on average, 25 percent and as much as 39 percent for some consumers.

I find this unbelievable. Imagine the typical family, or individual, trying to find the money to pay another 39 percent for health care coverage -- especially during these difficult economic times, with so much uncertainty.

Meanwhile, the health insurance company is doing better than ever.

- Wellpoint, the corporate parent of Anthem/ Blue Cross, earned a \$4.7 billion profit in 2009.
- The CEO of Wellpoint received \$13.1 million in total compensation in 2009, which was a 51 percent increase.

This is completely backwards. A CEO is rewarded for business decisions that result in huge increases for customers. This is completely wrong. It is unacceptable, and it must not continue.

The actions of Anthem in California have received a great deal of attention, but in reality, they are not all that unique. According to a report compiled by the U.S. Department of Health and Human Services:

- Blue Cross/ Blue Shield of Michigan requested a 56 percent increase in individual market plans in 2009.
- Regency Blue Cross Blue Shield of Oregon requested a 20 percent premium increase.

- Three plans in Rhode Island requested increases ranging from 13 percent to 16 percent.
- Anthem requested a 24 percent increase for plans in the individual market in Connecticut. Regulators approved only a 16.5 percent increase.

Like Wellpoint, these companies are also enjoying financial growth. Even last year -- a time of enormous economic distress for average Americans -- was a good year for the health insurance industry. According to Health Care for America Now!, the five largest health insurers (WellPoint, UnitedHealth, Humana, Cigna, Aetna) saw profits increase 56 percent from 2008 to 2009, from \$7.7 billion to \$12.1 billion. Only Aetna saw their profits decrease.

Yet we see these continued premium increases. We can expect this trend to continue, especially until 2014, when newly created Exchanges will give customers new tools to compare plans, and force companies to be more competitive.

### **Summary of Legislation**

The solution, I believe, is legislation to give the Secretary of Health and Human Services the authority to block premium or other rate increases that are unreasonable.

In many states, insurance commissioners already have this authority. In some states, commissioners have this authority for some insurance markets and not others. And in about 20 states, including California, companies are not required to receive approval for rate increases before they take effect.

My legislation simply creates a federal fallback, allowing the Secretary to conduct reviews of potentially unreasonable rates in states where the Insurance Commissioner does not already have the authority or capability to do so.

The Secretary would review potentially unreasonable premium increases and take corrective action. This could include blocking an increase, or providing rebates to consumers.

Under this proposal, the Secretary will work with the National Association of Insurance Commissioners to implement the rate review process, and identify states that have the authority and capability to review rates.

States already doing this work should continue -- this legislation would not interrupt them. However, consumers in states like California and Illinois deserve protections from unfair rate hikes.

The proposal would also create a Rate Authority, a 7 member advisory body to assist the Secretary with these responsibilities. A wide

range of interests would be represented, including consumers, the insurance industry, medical practitioners, and other experts.

This proposal strikes the right balance. There is no need for federal involvement in states with insurance commissioners that are protecting consumers. The legislation I have introduced simply provides federal protection for consumers who are currently at the mercy of large health insurance companies whose top priority is their bottom line.

### **Utility Model**

Health insurance should be no different than utilities. Water and power are essential for life. So they are heavily regulated and rate increases must be approved.

Health insurance is also vital for life. It too should be strictly regulated so that people can afford this basic need.

### **Conclusion**

I would like to thank the Committee for holding this hearing. I urge you to consider and approve this legislation as quickly as possible.

It is a reasonable, measured proposal that will give all consumers, not just those in certain states, protection from unfair health insurance rate increases.