



OFFICE OF THE  
**HEALTH INSURANCE COMMISSIONER**  
STATE OF RHODE ISLAND

March 13, 2006

The Honorable Michael B. Enzi  
Chair  
Committee on Health, Education, Labor and Pensions  
United States Senate  
Washington, D.C. 20510

The Honorable Edward Kennedy  
United States Senate  
Washington, DC 20510

Dear Chairman Enzi and Senator Kennedy:

Dear Senators,

I am writing to express my strong concerns Senate Bill 1955, and to ask that it not be passed.

**Context**

Rhode Island has a strong history of active health insurance regulation. In 1996, the state passed broad managed care regulations regarding utilization review, member rights and appeals and health plan oversight. These provided protections which were later duplicated in other states. In 2000, the state overhauled its small group rating laws to bring more equity between large group and small group rates. In 2004, the legislature created a first-in-the-nation cabinet-level health insurance commissioner role, to (in part) "direct health plans towards policies that promote the public good through increased access, and improved efficiency and quality".

The results speak for themselves, Rhode Island has one of the lowest rates of uninsurance in the country, lower medical costs than its neighbors, high health plan satisfaction measures, excellent scores in HEDIS and public health performance measures, and nationally recognized innovations in health care quality measurement and health care information technology innovation. Studies by my office indicate that rating reforms have closed the health insurance price gap between large and small employers.

**Effect**

In spite of recent amendments, the proposed bill would put all this in jeopardy by eliminating the ability of states to bring together stakeholders to develop local solutions to the problems of affordable health insurances for small businesses.

Specifically:

- Imposing national underwriting rules and coverage standards for small businesses creates local instability in pricing and hinders innovation. States should be allowed to develop

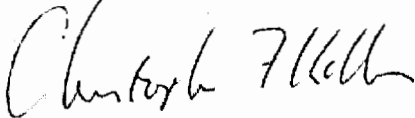
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programs for affordable health insurance products and pricing, and then learn from one another. Just this year, small business health insurance reform bills have been introduced by both Democrats and Republicans in the RI legislature that call for crafting new affordable health plans, subsidizing their purchase through reinsurance mechanisms and promoting price transparency. These innovative programs would not be possible under this bill.

- The bill weakens health plan accountability. Health care is delivered locally. It is intrinsically tied to public health and important community institutions. Health insurers need to be held accountable by local entities for their actions in states – for the incentives created by their payment mechanisms, for their support of local community health activities and state-wide health policy. Bill 1955, in spite of recent clarifications regarding the role of insurance commissioners, would make it harder for national health plans to be answerable to their local stake holders. It would usurp public authority and place it with large national insurers, who would be accountable to no one.
- The bill does not address the real problem. The fundamental health policy challenge facing the U.S. is the effect of rising medical costs on the number of uninsured. As both of you have noted, we need to move beyond underwriting and cost shifting solutions to addressing the underlying utilization drivers. This is best accomplished through local experimentation and accountable insurers – both of which are weakened by this measure. Mass group purchasing – which this attempts to create – will not result in informed purchasers driving system change, but a one-size-fits-all approach which cedes power to national insurers.

As witnessed by the efforts of the sponsors with the National Association of Insurance Commissioners, much good work has gone into amending this bill. Unfortunately, major concerns remain. The bill in its current form fails to address the critical issues states and communities face in developing an affordable, sustainable health care system that works for employees in small businesses. To accomplish this, we need *accountable* health plans, not association health plans.

Sincerely,



Christopher F. Koller  
Health Insurance Commissioner  
State of Rhode Island

CFK/lm

cc: Senator Jack Reed  
Governor Donald Carcieri, State of Rhode Island  
Alessandro Iuppa, Superintendent of Insurance - State of Maine, NAIC President