



Legislative Update

June 15, 2010

New York State Passes “Prior-Approval” Rate Increase Insurance Law

The New York State Insurance Department now has the authority to review and approve all health premium increases for insured plans before they are implemented by carriers and insurance companies. This new law signed by New York Governor David Paterson(D) replaces former regulations that limited control over rate increases for insured health benefit business. Current New York law already prohibits health insurers from using a patient's health status and medical history when setting rates.

The new law will require health insurers and health maintenance organizations (HMOs) to apply for approval from the Department of Insurance for any rate increases on insured business. The rate applications will be reviewed by the Department and can be approved, modified or disapproved. Policyholders, group clients and members of the general public will be allowed to comment on the rate applications. The Department of Insurance will post relevant comments and information about the applications on its website. The law is set to take effect October 1, 2010 for any rate increases an insurance company plans to impose on or after that date. A part of the new federal insurance reform act will also require health insurers to report reasons for rates increases along with the percentage of premiums spent on claims, quality of care, taxes, and administrative costs. With this new state law on top of new federal guidelines, New York insurers are facing an increasingly complex regulatory process.

Conner Strong expects this new law will prompt other states across the nation to adopt similar measures. While the intent to regulate and prevent unwarranted rate increases is justified, there is concern regulators may deny necessary increases on small group business, thereby forcing health plans to find ways to make up for losses in their larger case markets where most of Conner Strong's client base resides. Moreover, in Massachusetts where a similar law already exists, the local insurance department has capped rates despite knowledge of four out of five major health plans experiencing operating losses last year with warranted rate changes based on claim losses. Such laws will likely further politicize the rate-setting process. Approving any rate increase may become politically untenable even when necessary. The cost of such measures would be passed onto employers who would then be faced with additional hurdles and cost challenges. For our customers dealing with New York based insurers on a local basis, this new law will impact your business.



Conner Strong regularly monitors developments like this and will communicate key events to customers and contacts. In the event you have questions with these benefit changes and how they may impact your plan, **please contact your Conner Strong representative with any questions, toll-free at 1-877-861-3220.**

This Legislative Update is provided for general informational purposes only and is not intended to be legal advice. Readers are urged to contact an attorney for legal advice or assistance.

