

## What's Behind Those Health Insurance Premium Rate Hikes?

*"I was shocked to see that the 2012 proposed rate increase would be a 26.7% increase from the 2011 monthly rate. It is too much of an increase and makes health insurance unaffordable again."*

*"Come November my health insurance is going up another \$100+ and the following year it will go up \$200+ dollars. How does anyone expect a family to pay a rent to their insurance company monthly! The rate this is going we will be in a cardboard box to have health insurance."*

*"Due to the economy we live in, I have not received a raise in pay in 4 years. I don't see how we are going to be able to pay a premium that is 35% of our entire income!"*

*"I have been notified that the above has applied for a rate increase of 17%. I believe the average wage increase to be in the low single digits, if one is lucky enough to have a job. On what planet do they wish they did business?"*

*"If you allow Empire to charge a 17.9% increase, would you be able to send me some more information about that emergency room health care program as I am afraid that I will be priced out of maintaining individual health insurance coverage?"*

These are just a few of the letters written to New York State's [Financial Services Department](#) by individuals as the state decided whether to allow rate increases without a good explanation by the insurance carriers. Every rate increase will mean that a number of low-income and unemployed New Yorkers will be without insurance coverage.

With black unemployment in New York City at 16.7 percent, 19.1 percent for black men, many black families have lost their employer-sponsored health insurance. Statewide, over one in five black New Yorkers ages 19 to 64 are uninsured.

The Financial Services Department now intends to go public with details of the rate-increase applications it has received from health plans. Those applications - affecting about three million people with individually purchased or small-group coverage - call for rate increases ranging from 10 percent to 56 percent.

The average cost of employer-provided family coverage in this state is nearly \$15,000 a year - close to \$24,000 a year on the individual market - among the highest in the country, and almost double what it was 10 years ago. The problem is that we do not know exactly why we shell out such exorbitant sums. That began to change last year, when the state Legislature restored the power of state regulators to reject or lower premium increases.

The public is encouraged to weigh in on rate increases. But average consumers and watchdogs cannot comment intelligently unless they see data supporting these rate increases.

### Public Input

The state has instituted a prior approval process that allows public input on proposed rate increases. But without the necessary rate justification information from the insurance companies, it is hard to make an informed argument whether or not the rate increase is necessary. People have a right to know why they are being asked to spend so much more each year.

The insurance industry is hardly plunging into financial ruin, with companies reporting jaw-dropping surpluses and profits and industry CEOs earning millions of dollars each year. Some people believe that insurance companies would enact steep premium increases prior to the full implementation of the Affordable Care Act in 2014. I suspect that they are correct.

History shows that from 1996 to 1999, small group premiums increased an average of 5 percent annually. After premium increases were deregulated in 2000, these increases averaged 14 percent annually. Now premium increases are again under state regulation, and with the upcoming insurance exchange threatening to further regulate health plans, we think that the insurers are scrambling to get as much as possible out of people before the state starts to crack down on them.

Health Care For All New York (HCFANY) is a statewide coalition of more than 120 organizations dedicated to winning affordable, comprehensive, and high quality health care for all. The Community Service Society is a member of the HCFANY coalition.

### **HCFANY Objections**

HCFANY has filed objections with the State Department of Financial Services about the proposed increases. With the national rate of inflation at 3.6 percent and New York medical cost trending at about 9 percent, and with no increases in the taxes imposed on health insurance carriers last year or in the near future, it is difficult to find a rationale for the proposed rate increases requested by the carriers.

In nearly all cases, the notices and narrative summaries sent by the carriers to consumers and small business simply allege medical trends without any supporting evidence or documentation. Their allegations are also contrary to the independent available evidence. For example, a professional services firm recently issued its annual report which finds that the actual medical cost trends in 2010 and 2011 were 7.5 percent and 8 percent, respectively, and estimates a medical cost trend of no more than 8.5 percent for 2012.

Let consumers see the data for themselves. Make the application documents public, minus those very few details that would compromise the plans' legitimate trade secrets or hamper their ability to cut costs. New Yorkers, who already pay high rates, need to see the explanation for these rate increases. The state should do everything in its power to hold insurers accountable and make this process as transparent as possible.

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**From the New York Amsterdam News**  
October 27, 2011 – November 2, 2011