



# House Appropriations Testimony

Thursday, February 27, 2014

Presented by: Insurance Commissioner Michael Consedine  
[www.insurance.pa.gov](http://www.insurance.pa.gov)

Good afternoon Chairman Adolph, Chairman Markosek and members of the committee. Thank you for the opportunity to appear before you today. First and foremost, our most sincere thanks. Last year, you approved a dedicated funding model for your insurance department. This year marks the first time we have been able to focus our budget efforts using a dedicated funding approach. The certainty provided by the dedicated funding model makes a substantial difference in our ability to make meaningful plans and in how we are able to accomplish our regulatory tasks. That's all the more important in an environment that has proven to be anything but certain.

As the fifth largest insurance market place in the country and the 14th largest in the world, we could not do our best for you or the insurance consumers in our state without the appropriate resources. Please know how appreciative we are of this new model, as well as your vote of confidence.

We continue to be committed to being good stewards both of the insurance industry as well as our funding. You will note that our budget is flat again this year. Being lean and mean these past years has taught us how to focus on the core functions of the regulator.

First among those functions is consumer protection. While the concept of insurance is simple, there is contractual complexity in the product of insurance that requires a local touch. Our dedicated consumer services staff works to bring resolution to those who are experiencing challenges within the insurance market. We also work with our regulated insurers to facilitate clear information reaching the hands of consumers, in an effort to make sure that consumers understand the promise of protection they have purchased and that that promise is carried out.

The next pillar of insurance regulation is insurance company solvency. Our insurance market best serves consumers when companies are stable and solvent. I want you to be among the first to know that the National Association of Insurance Commissioners just completed their review of our financial regulation division. The NAIC will be recommending a five-year accreditation for Pennsylvania. That means that your insurance department has received the highest marks in maintaining the financial health of our insurance marketplace. This is great news for all of us, in particular the consumers we protect and the world-class market we regulate.

Rate and policy regulation is the third pillar of insurance regulation. Where applicable in insurance law, our charge is to see that rates are adequate, not excessive or unfairly discriminatory. We review thousands of rate applications each year. Most recently, we have approved a workers' compensation loss cost filing with an overall decrease in loss costs of 5.15 percent to be effective April 1, 2014. We estimate that Pennsylvania employers will experience savings in workers' compensation insurance costs of approximately \$140 million on an annualized basis as a result of this action. (Individual employers will likely experience changes that vary from the overall average decrease of 5.15 percent for a variety of reasons.)

While we, at the Insurance Department, do a good deal more – these items represent the three key pillars of insurance regulation – 1) consumer protection 2) financial solvency and 3) rate review.

From a regulatory perspective, Pennsylvania's insurance industry is healthy, diverse and responsive. We have large international insurance carriers here, as well as small mutual companies that may only serve our state or a segment of it, and every type of company in between. Our best advice to consumers is to check your coverage and shop around as you should see competitive options.

Governor Corbett set out to build a stronger Pennsylvania, and that's exactly what he has done. The Governor's budget supports all that is great about Pennsylvania. As the sixth largest economy in the United States, Pennsylvania is now on its way to running at full strength where businesses, large and small, can grow and hire Pennsylvanians, and a health care system where everyone has choices and everyone is covered.

This year has presented unique challenges, as it has been a year of unprecedented change in the health insurance marketplace. Much of our time and resources have been spent sorting through all the federal changes and their implications as well as assisting consumers do the same.

As many provisions of the ACA are implemented in Pennsylvania, the department is working to protect consumers and minimize disruptions for consumers and the insurance industry. To best achieve this aim, we are working with our federal counterparts at the Department of Health and Human Services to resolve issues. There is no doubt that Pennsylvanians require, and deserve, a good working relationship between the administration and HHS to benefit the commonwealth's consumers engaging in the insurance market. In the vein of cooperation, we are encouraged by HHS's willingness to allow Pennsylvania CHIP enrollees to choose to remain in the program through year-end, and avoid an unnecessary transition.

However, we have residual frustrations regarding the opening and initial operations of the Federally Facilitated Marketplace. We also understand the irritation of Pennsylvanians wanting to know what will be happening with their health insurance. We share that concern. We are, however, committed to working through all the uncertainty and getting consumers what they need to make informed decisions.

Since the roll out of the FFM, our dedicated consumer health unit has triaged and managed up to 70 calls a day. Initially, the calls were about how to access the exchange or what to do until the website was available. Then the unit had to deal with the questions about coverage changes and what was still in effect. Now the calls are about ID cards and costs. Additionally, our stand-alone PA Health Options website received almost 77,000 visitors during this same time period.

While many of the provisions of the ACA have been implemented, the consequences of the Act are yet to be determined. Through it all, we have and will continue to serve Pennsylvanians during this time of unprecedented change and transition. The department will continue to address the consequences of the ACA while diligently reinforcing the underlying presumption that Pennsylvania should regulate the Pennsylvania insurance marketplace and not cede that responsibility to the federal government.

This past year, I had the privilege to travel the state and meet with Pennsylvania families about our Children's Health Insurance Program, as well as the Governor's Healthy Pennsylvania plan. The common theme in most -- if not all of those meetings -- was that families understand their own health care needs. They want more access to quality, affordable care and Healthy PA is designed to give them that.

The changes in health insurance and the healthcare delivery system will continue -- and may do so at an even more accelerated pace, as seen by some of the healthcare transactions that the department has reviewed and is currently in the process of reviewing. But with every twist and turn, our job is to ensure that Pennsylvania's consumers and insurance industry are prepared for what is on the horizon.

I hope you have come to rely upon us as professional regulators with an open door. We strive for transparency as well as professionalism. Thank you.

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