



NEW YORK STATE SENATOR

Liz Krueger

Senator Krueger Helps End Out-of-Control Increases to Health Insurance Premium Rates

LIZ KRUEGER June 8, 2010

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(New York, NY) Those who are struggling under a rising tide of healthcare costs can finally breathe a sigh of relief. In an effort to slow the increasing burden of healthcare costs, Senator Liz Krueger helped pass “Prior Approval” legislation (S8088) which will enact new standards of oversight and accountability of the health insurance industry, making coverage more affordable for individuals, families and small businesses.

The Senate’s legislation will enhance government oversight of the insurance industry, and implement structural safeguards to protect consumers from unfair increases in the cost for health coverage.

“I have heard time and again from constituents throughout my district that they are drowning in a sea of ever-increasing healthcare costs. Something had to be done,” Senator Krueger said. “By reinstating regulatory oversight we can increase New York State’s ability to

protect consumers from excessive health insurance premiums.”

The “file and use” rules currently in place in New York allow insurance companies to increase premium rates by simply meeting minimal filing requirements – there’s no check or balance on the insurer until after the new, higher rate has gone into effect. The Insurance Department has the power to review rate increases after the fact, but that often means consumers can be charged high rates improperly for months or years before an improper increase is caught. Even then, insurance companies have up to 21 months to refund excessive premiums, meaning individuals and businesses who have been overcharged must wait up to almost two years before they get their money back.

Currently, insurance companies are supposed to self-regulate themselves as they charge higher premiums, but health insurers self-report excessively high premiums – that is, premium rates that brought in more money than they are allowed to by law compared to how much money they paid out in claims – only 3% of the time.

By requiring prior approval, the Insurance Department will be able to use objective criteria to review premium rates before they are increased and will not have to rely on self-interested insurers to police themselves. By ensuring that rates are fair and correct before they are increased, consumers and insurers will be able to plan for the future, ending scenarios where people drop their insurance coverage because they are being charged too much.

“There is no excuse for the fact that people have been forced to drop their coverage because they couldn’t pay the ever increasing premium costs,” said Senator Krueger. “This legislation reinstates a checks and balances that our health insurance system desperately needs so that every New Yorker can get the coverage they need and deserve.”

Nearly half of all states currently have some form of prior approval of health insurance rates.

This legislation also passed the Assembly, and the Governor is expected to sign it into law.