

WASHINGTON, DC (July 31, 2009) – A major step was taken today to limit annual health insurance premium increases; the first time in history legislation of this kind has been approved. Rep. Jan Schakowsky, D-IL, passed legislation through the House Energy & Commerce Committee that would prevent excessive annual premium increases while reducing health care costs for families and small businesses. The Schakowsky Amendment will limit annual increases in premiums for Exchange-participating plans to 150 percent of medical inflation.

“Americans live sicker, die younger, and pay twice as much for health care than any other country. We must do everything possible to ensure quality health care is affordable and accessible to everyone,” said Rep. Schakowsky. “Limiting excessive premium increases and allowing negotiations through the exchange will achieve these goals.” The proposal allows Medicare to negotiate rates in order to lower Part D drug prices for senior citizens and persons with disabilities. Also, savings achieved through limiting excessive premium increases and permitting drug price negotiations can be passed on to consumers in the Exchange according to the provision. Currently, in many states like Illinois, large health insurance companies’ excessive premium increases are unchecked. The unnecessary increases are responsible pricing many hard working families and small businesses out of the health insurance they need. Only 70 cents of every dollar spent on premiums goes to care; the rest is spent on administrative costs and padding profit margins. Twenty-four states have implemented mechanisms for checking premium increases and keeping health insurance as affordable as is currently possible; each has reported success. According to a June 2008 Families USA study, Indiana regulators negotiated lower premiums half of the time, Iowa regulators saw an average reduction of 40 percent in the cases it handled, and in New Hampshire a proposed 100 percent increase was negotiated down to 12.5 percent.

Rep. Schakowsky’s legislation would apply this successful model nationally by requiring the Health Choices Commissioner – or a state insurance commissioner – to review rate increases above the threshold before the increases can take effect. “We will ensure that there is justification for health insurance premium increases so that consumers can be confident that they will not be required to pay excessive premiums,” said Rep. Schakowsky. “This is about reining in out-of-control insurance premiums that price people out of health care.”