

Confirmation Hearing Opening Statement

Senate Banking and Insurance Committee

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Acting Insurance Commissioner



Chairman White, Chairman Street, and members of the Senate Banking and Insurance Committee, thank you for allowing me this opportunity to meet with you today. I am honored and humbled to have been nominated as Pennsylvania Insurance Commissioner, and to have the opportunity to lead a team as talented and dedicated as the one we have at the Insurance Department.

For two years prior to being nominated, I served as the chief of staff of the department. In that role, I was the top aide to the commissioner and worked closely with all areas of our department on every issue: from day-to-day operations, to longer term priorities, to putting out fires.

My familiarity with Governor Wolf's priorities, the breadth of the department's responsibilities, and the daily workload of the department allowed for an extremely smooth transition into the role of Acting Commissioner. The transition allowed me to continue much of the work that I've come to appreciate since coming to Pennsylvania, including handling one of the most dynamic health insurance markets in the nation. My extensive familiarity with the Affordable Care Act serves me well as Pennsylvania currently has five major health insurers participating on the Exchange – a much more diverse population than most states can tout. Such welcome participation in our health insurance market allows me to lead the department in serving as an accurate resource for the almost 400,000 Pennsylvanians looking for guidance in this confusing time in health care. Further, cutting edge issues taking place in our health insurance marketplace, such as the Highmark/ UPMC contract expiration, are being watched by other regulators and policymakers across the country as we serve as a model of prioritizing consumer protection. As chief of staff, I worked extensively with both Highmark and UPMC to prepare for impending changes to their relationship, and my in-depth familiarity of the issue allowed me to continue working with the parties through the department's leadership transition without missing a beat, and ultimately secure necessary access for patients. This is government that works.

My dedication to Pennsylvania's insurance industry stretches across all lines, as I have a deep appreciation for the contribution that the fifth largest insurance market in the country brings to our state. Pennsylvania serves as home to modest size mutual companies and international leaders, and through that diversity contributed over \$820.5 million in premium taxes to the Commonwealth in 2016. Additionally, our insurance industry provides over 155,000 jobs for Pennsylvanians, accounting for \$12.7 billion in compensation on an annual basis. I find the unique size, composition and challenges of our insurance market to be some of the primary drivers behind why I feel such value in my work.

Since I started my career, I have wanted nothing more than to be in public service and to be a part of government to drive positive change and make government work for everyone. Prior to joining the Department, I worked in Washington D.C. as a federal regulator at the Department of Health and Human Services, and I have also spent time working in Congress and the White House Office of Management and Budget.

My time in state government has been a wonderful transition – and frankly a breath of fresh air – after working at the federal level. I often stop and reflect on how directly our work impacts consumers and

businesses across the Commonwealth, and how important it is to take the gravity of that responsibility to heart in everything that we do.

While making sure the Commonwealth's insurance markets work well for consumers is always the Department's top priority, in the vast majority of cases I've found that the best way to make the insurance market work for consumers is to make it work for the insurers that serve those consumers. We want options for consumers and we want those options to be robust, affordable, and provide for meaningful choice. The best way to achieve all of those goals is by ensuring our markets are competitive by fostering a collaborative and responsive regulatory environment.

A prime example of our work to cultivate competitive insurance markets is our promotion of the private flood insurance market and advocacy for changes at the national level that will bring more flood insurance options to consumers. We have heard from numerous consumers struggling to afford their home or sell their home when they need to because of the debilitating high costs of premiums under the National Flood Insurance Program. Upon a deeper review, we began to hear from a smaller number of consumers about savings they were able to realize by purchasing flood insurance through the private market. As an example, one consumer here in Dauphin County was quoted a \$2,700 annual premium from the National Flood Insurance Program (NFIP) and was able to secure an equivalent policy on the private market for only \$718.

We saw an opportunity to let other consumers know that the private flood insurance market is an option for them as well. We created a one-stop-shop for consumers on our website, where they can find information about both the NFIP and flood insurance options available on the private market. Since that website went live in February 2016, , the number of private flood insurance policies sold in Pennsylvania has more than tripled , from over 1,500 to over 5,200. To build upon this success, we continue to promote the private market as a viable alternative to the NFIP by engaging with insurers interested in offering private flood options in the admitted market and working alongside the National Association of Insurance Commissioners (NAIC) to advocate for changes in Washington D.C. that would facilitate and encourage the growth of this market.

In addition to providing consumers with more affordable choices, investing in the growth of the private flood insurance market dovetails with an overarching goal of mine to grow insurance industry jobs in the Commonwealth. I'm traveling across the Commonwealth to hear from insurance industry stakeholders where I hope to hear what I can do to help retain the jobs that we currently have in the industry and create opportunities for more recent risk management graduates to ensure they can secure employment upon graduation. I'm passionate about Pennsylvania having a workforce that can help insurance companies thrive in a competitive economy. These are jobs that pay.

Moving on from my background and some of the things I have done while at the Department, I'll talk a little about what my priorities will be as Commissioner. As it has been during the duration of the Wolf Administration, the Department's top priority will continue to be consumer protection and doing what we can to make our insurance markets work for consumers. However, one thing I have learned in my time as a regulator is that you get to choose some of your priorities, but many of your priorities will find you. I'd like to talk about both and how our consumer protection mission fits in to the priorities.

In terms of priorities that I get to choose, first and foremost, I want to make sure that our Department has the resources and capacity to fulfill our mission to the greatest extent possible. Everything that our Department does is consumer protection in one way or another, from financial solvency review, to product regulation, to market conduct, to liquidations. I believe performing our day-to-day responsibilities to the best of our ability is the number one thing we can do to protect consumers.

Being promoted from within the Department, I have great appreciation for the resource needs of the Department and the challenges that we have in fulfilling these needs. We accomplish tremendous feats as an agency with limited staff, but there have been areas of the Department that have been detrimentally impacted by reductions in our staff complement and challenges associated with recruiting individuals with specialized skills into state government.

We have invested significant resources to address this issue, especially in the areas of financial regulation and company licensing. Our financial analysis division was seriously understaffed when we came to the Department, and we had a substantial backlog for company licensing applications. We have since significantly augmented our staff in both of these areas, and the licensing backlog has been reduced by nearly two thirds. Regulation should only be a barrier when it is necessary, and we are doing what we can to make sure that is how we do business. This is government that works.

As we continue to invest resources in the Department like those we have made in the financial regulation and company licensing areas, recruitment, retention, and succession planning come to the top of my list of challenges. Approximately one third of my Department's staff will reach retirement age within the next three years, and we need to have a plan to mitigate losses in institutional knowledge and for recruiting individuals with the specialized skills that we know we will need now and into the future.

While improving and maintaining our level of resourcing today is enough of a challenge, my other proactive priorities center around making sure the Department is prepared not only for the issues of today, but also for the issues of tomorrow.

The world around us is rapidly changing and the insurance industry is rapidly changing along with it. And, that means regulators must be prepared to change as well. With some of these issues regulation has responded to change, but only after the change already occurred, especially with "disruptor" industries like Uber, Lyft and AirBnB.

Regulators are now striving to be prepared for changes before they come, like thinking about the rapidly approaching advent of autonomous vehicles on our roads and the need to consider the growing implications cyber-threats and cyber-attacks may have on our industry. And I am sure there are other issues we haven't thought of yet. But I want to make sure that we do what we can to be proactive in our efforts to address these issues, so that we are ready when we need to be. To ensure that Pennsylvania is in a position to be a leader on these issues, I recently was selected to participate on the innovation and technology task force at the NAIC. This opportunity will not only ensure we take a strategic approach to cutting edge regulation, but also that we have the opportunity to shape an emerging regulatory framework on a national scale.

Now, I also want to talk about how I will approach the priorities that choose me. Some of these come in the form of politics or issues in the market that are out of our control. Our work to maintain a stable individual health insurance market and to promote private flood insurance are both examples of issues in the market or changes the federal government may or may not make that will have significant impacts for Pennsylvanians and Pennsylvania companies.

Others come from listening to the consumers we hear from. I routinely ask our consumer services staff “what are the issues that you’re hearing of where you think a consumer really deserves to be helped, but there is no remedy for them in our existing laws?” The answer to this question is often where we look for proactive consumer protection issues.

A recent example of this is the issue of surprise balance billing, where we began hearing from our team that we were getting numerous calls from consumers who had received bills after inadvertently receiving out-of-network care while seeking care at an in-network facility or from an in-network doctor. These are consumers who often did everything right – checking their provider directories or calling ahead to make sure everyone was in-network – only to still receive a bill. At the same time, we heard from legislators whose constituents received these bills and also insurance companies who had pushed for a legislative solution to this issue in other states.

So, we decided to take it head on, beginning with a public hearing, then releasing a draft proposal for public input. Now I am proud to say that we have a bipartisan bill introduced in both chambers to address this issue with a primary focus on removing the patient from the middle. I would like to thank Chairman White and Senators Costa and Schwank for sponsoring the Senate bill, SB 678 and Representative Pickett for sponsoring HB 1553. I am hopeful that we can protect consumers from these surprise balance bills in the future, and all because we listened to the consumers we serve and decided they deserved better protections.

That being said, I know that enhancements in consumer protection can be challenging or difficult to implement for industry. Our goal is always to seek a balance in regulation, not to over-regulate in areas that are unnecessary, but also to regulate when we believe our review or intervention will have a measurable benefit to consumers.

With that, hopefully I have given you a better sense of who I am, and the type of leader I will be at the Department. I look forward to working with all of you to promote an even more robust, competitive insurance market that will serve consumers in the Commonwealth. Thank you again for having me, and I am happy to answer any questions.