

Confirmation Hearing Opening Statement

Senate Banking and Insurance Committee

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Chairman Scavello, 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 again by Governor Wolf 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. It has been a privilege to work with many of you over my tenure at the department, and I look forward to continuing to do so in this second term.

To set the stage for all of the issues I will address today, I would like to briefly describe Pennsylvania's insurance market. Pennsylvania has the fifth largest insurance market in the country and the fourteenth largest in the world. The Commonwealth serves as home to companies from the most modest sized mutual companies to the largest property and casualty insurer in the world, and through that diversity contributed roughly \$793 million in premium taxes to the Commonwealth in 2017. 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.

Last year, my confirmation hearing statement focused on my vision for the department, a vision I still hold, deeply rooted in consumer protection and making sure that insurance markets work well for consumers. My statement also focused on the issues before the department at the time and our efforts to position the department well to address its future challenges. Today, I would like to update the committee on our achievements and some of our remaining challenges.

One thing I have learned in my time in public service, whether at the federal Department of Health and Human Services, the White House Office of Management and Budget, or now at the Pennsylvania Insurance Department, is that you get to choose some of your priorities, but many of your priorities will find you. I would like to talk about both and how our consumer protection mission fits into the priorities. While making sure the Commonwealth's insurance markets work well for consumers is always the department's top priority, I've often 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 those goals is by ensuring our markets are competitive by fostering a collaborative and responsive regulatory environment that puts the consumer – the insurance policyholder - first.

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. As I know is true for many of you, 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 (NFIP). 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 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. Last year, I reported to the committee that since that website went live in February 2016, the number of private flood insurance policies sold in Pennsylvania more than tripled, from over 1,500 to over 5,200. Our private flood insurance market now has 8,950 residential policies. There are now 20 Pennsylvania-licensed insurance companies selling private flood insurance, in addition to 59 individual producers who sell this coverage through what is called the surplus lines market.

At the same time, we are cognizant of how pervasive flooding is throughout the Commonwealth and the devastating impact that flooding can have on our communities, especially when flooding impacts homes and businesses that have not protected themselves from the peril of flood. Hurricane Harvey in Texas was a foreboding example of what happens when serious flooding occurs outside of the flood zones identified by the Federal Emergency Management Agency and, therefore, in areas where mortgages are not contingent on the purchase of flood insurance; only about 20 percent of the homes impacted by Hurricane Harvey had any coverage for flood. While the scale has not been as large in Pennsylvania as this single instance, flooding outside of these zones is common in Pennsylvania and we do hear from property owners who have unfortunately experienced significant losses following flooding, but have not had the coverage to help rebuild or repair. Because of this dynamic, we have worked with our sister agencies in the Commonwealth, local and municipal governments, key stakeholders, and consumers to help get the word out that flood insurance is something every person should consider, whether or not their mortgage lender requires them to purchase the coverage.

As I also mentioned last year, I am deeply committed to making sure that our department has the resources and capacity to fulfill our mission to the greatest extent possible. Everything that our department does has a consumer protection component 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.

When I appeared before the committee last year, I mentioned the department's staff complement challenges as well as its struggles to recruit individuals with specialized skills into state government. This issue, which led to backlogs in our financial analysis and our company licensing areas, has largely been addressed. I am happy to report that the backlogs have been eliminated because we have significantly augmented our staff in both areas. In fact, since I became commissioner, we have hired a total of 41 employees to fill positions throughout the department. That is 18 percent of our current staff of 227 employees. 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.

I also mentioned to the committee that recruitment, retention, and succession planning come to the top of my list of challenges. That has not changed. 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. To help address these issues, we are launching a program to educate students about the

insurance industry, called NextGen, this year. Through NextGen, which is modeled after the Pennsylvania Department of Banking and Securities' successful Banking Academy, we will, in collaboration with insurers, institutions of higher education and other stakeholders, seek to create opportunities for recent college graduates to secure valuable employment in the insurance industry.

This year, NextGen will expose students to the insurance industry by providing them with an exclusive opportunity to attend a free four-day interactive experience where they will participate in workshops focused on insurance careers. Beginning on Monday, August 12, 2019, the program will allow college students to meet and network with insurance industry professionals from both the public and private sectors and learn about entry level job opportunities. We are currently recruiting students.

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. Pennsylvania is in a position to be a leader on these issues as we participate on the innovation and technology task force at the National Association of Insurance Commissioners (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.

Speaking of opportunities, being named chair of the Health Insurance and Managed Care Committee of the NAIC, the Committee that coordinates all of the national work around health insurance, for 2019 will give me a great vantage point to see how other states are handling important health insurance issues and bring the best ideas to Pennsylvania. It will also give me another avenue to engage with Congress, the White House, and federal agencies on health insurance issues. One of the main tasks of the Health Insurance and Managed Care Committee is to inform health insurance policy among the states by monitoring and coordinating state approaches to regulation, as well as measuring the implications and effects of proposed and enacted federal legislation and regulations on states.

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, issues in the market that are out of our control or crises. Our work as part of the Wolf Administration's effort to fight the opioid crisis is an example. When I testified last year I spoke about our critical ongoing work to educate insurance consumers about their coverage as it relates to mental health and substance use disorder treatment and to ensure compliance with critical laws such as mental health parity and Pennsylvania's coverage mandate that ensures access to inpatient treatment for individuals with certain types of health insurance. Since last year, we have continued to work alongside our sister

agencies to take this crisis head on. Specifically, we collaborated with the Departments of Health, Human Services, and Drug and Alcohol Programs to secure a major agreement with the Commonwealth's Medicaid managed care organizations and our seven largest commercial insurers to align prior-authorization processes for opioid prescriptions to protect patient health and safety while ensuring patients have unrestricted access to medication-assisted treatment (MAT). Under the agreement, which was announced last October, commercial insurers will cover MAT without prior authorization in the following ways:

- Coverage of at least one Buprenorphine/naloxone combination product
- Coverage of Methadone as MAT
- Coverage of injectable and oral Naltrexone

Commercial insurers have also committed to coverage of at least one form of life-saving nasal naloxone without quantity limits. Additionally, they will provide coverage for MAT at the lowest patient cost tier on the plan's pharmacy benefit, as applicable.

Some priorities come from listening to the consumers that contact us. 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, and the number one issue in this category is one that I know many of you are already familiar with and remains a critical consumer protection issue that needs to be addressed in the Commonwealth.

That issue is surprise balance billing. Years ago, 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, thanks to Senators Costa and Schwank and Representatives Pickett and DeLuca, I am proud to say that each chamber is working to reintroduce a bill that would resolve this issue. I would note that, this session, the House Insurance Committee has already held three hearings on the issue. I stand ready to assist this committee in any way we can to resolve this issue and put these patients first. 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.

With that, hopefully I have given you a better sense my vision for the department, and the type of leader I will continue to be at the department. I look forward to continuing to work 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.