

North Dakota Insurance Department

House Bill No. 1577 Commissioner's overview of the health insurance market

UPDATE



<u>Major med market share by company based on premium, 2008</u> (Sen. Potter)

Company	Premium (millions)	Market share
BCBS	\$447,047,702	89.4191%
Medica	22,970,762	4.5946%
John Alden/Time	13,082,287	2.6167%
American Family Mutual	6,316,392	1.2634%
Heart of America	3,210,947	.6423%
American Republic	1,770,361	.3541%
Continental General	1,713,077	.3427%
Madison National	965,942	.1932%
MII Life	623,246	.1247%
State Farm Mutual Auto	544,455	.1089%
Other companies	1,701,321	.3403%
TOTAL	\$499,946,492	100.0000%

Updated chart from page 16 of Aug. 6 handout

Market share change from 2000 to 2001 (Chairman Keiser)

Referencing the chart on page 17 of the Aug. 6 handout

The rise in BCBS market share for large group from 2000 to 2001 (84.3% to 96.0%) was due to Altru leaving the business and BCBS taking it over. Altru's exiting the market was not due to insolvency, but was impacted by losses on that business.



<u>Principles-based reserves vs. existing reserve standards</u> (Chairman Keiser)

Principles-based reserves utilize principles to govern how to establish life insurance reserves rather than rules that generate a one-size-fits-all reserve amount.

Existing reserve standards for life insurance (a rules-based approach), in general, define a minimum interest rate, a maximum mortality basis and reserve formulae. These standards are the same for all companies and all life insurance products. Reserves generated by the current rules-based approach do not reflect many of the risks associated with a product; and do not take into account differences in risk profiles among companies.

A principles-based approach to reserves is designed to reflect all material risks in a product (including mortality, interest, expenses, lapse, premium persistency, etc.) and permits the use of company-specific data, if credible. Principles-based reserves are then based on the underlying risks in a product, while continuing to maintain the solvency objectives of statutory regulation. A principles-based reserve approach is expected to generate reserves for life insurance products that are closer to economic reality.

A principles-based approach to reserving for life insurance products will benefit the consumer through reserves that are more appropriate to the underlying risks (strengthening solvency) and through premiums that more directly reflect those underlying risks.



North Dakota minimum loss ratio requirements (Chairman Keiser)

Hospital/surgical/medical Major medical	Group	70%
*	Individual	55%
Medicare Supplement	Group, direct response	75%
	Individual	65%
Long-term care	Policy forms filed prior to 8/1/03	60%
	Policy forms filed 8/1/03 and later	No initial minimum loss ratio requirement. Company actuary must certify that "premiums are expected to be adequate to cover claims under moderately adverse experience."
Specified disease (cancer)	Group	60%
*	Individual	Depends on type of contract: a. Noncancelable—50% b. Guaranteed renewable—55% (most are this form) c. Optionally renewable—60%
Credit		45%
All other		Depends on type of contract, applies to both group and individual: a. Noncancelable—50% b. Guaranteed renewable—55% c. Optionally renewable—60%



N.D. Life & Health Guaranty Association solvency (Sen. Potter)

The North Dakota Life & Health Guaranty Association was created in 1983 when the North Dakota Legislature enacted the North Dakota Guaranty Association Act. Since that time, there have been 37 insurance company insolvencies for which the Association has been actuated to provide protection to North Dakota policyholders. Not all of those insolvencies would result in liquidations or assessments.

For the years 2005 through 2009, the following chart shows the amount of claims paid from the North Dakota Life & Health Guaranty Association.

Five-year history of amounts paid for claims

Year	# of companies	Life	Annuities	Health	Total
2005	3	\$117,283	\$251,410	-	\$368,693
2006	2	117,211	104,943	-	222,154
2007	3	162,086	101,718	65,008	328,812
2008	4	61,515	101,842	56,948	220,305
2009	4	68,965	101,898	125,593	296,456
		\$827,060	\$661,811	\$247,549	\$1,436,420



Relative risks to a company by line of business (Chairman Keiser)

Annuities: The benefits paid by an annuity (deferred annuity) include the cash value and possibly a death benefit equal to the greater of the premiums paid to-date or the cash value. The benefits that could be paid are not much different than the accumulation at interest of the dollars actually received. While there is a risk that the investment earnings that a company might realize will be less than the guaranteed interest, the risk to the company relative to other lines of business is smaller.

Life insurance: The benefits paid by a life insurance policy could include a death benefit, which is paid only once (if the policy is in force at the time of death); or a cash value if the policy is surrendered and the policy has a cash value. (Term insurance, for example, does not.) The cash value of a life insurance policy is similar to that of an annuity in that it is related to premiums that have been paid; so the risk to the company for that part of the benefit is similar to that in an annuity policy. The amount of the death benefit paid under a life insurance policy, however, may be quite different from the premiums the policyholder has paid into the policy to the date of death; so the risk to the company for that part of the benefit is greater. As a result, a life insurance product will have relatively greater risk than an annuity policy.

Health insurance: The benefits paid by a health insurance policy could be paid multiple times, because a policyholder could incur a claim, recover, and incur further claims on the same policy. This adds an additional element of risk; as a result, a health insurance product will typically have relatively greater risk than an annuity or life insurance product.

For each type of product line, reserves are held to reflect the future benefits payable under that product. Assumptions are made by the actuary regarding the timing and amount of future premiums and benefits, as well as an investment rate. These are included in the reserve calculation. To the extent that actual experience is more or less favorable than the assumptions made, the particular product will be more or less profitable than expected. If actual experience is considerably less favorable than the assumptions made, the particular product may lose money and a portion of the company's surplus will be required to fulfill the benefit obligations of that product. For products with relatively greater risk, higher amounts of surplus are required, and this is reflected in the Risk Based Capital (RBC) calculation.

The risk profile for a particular company is unique to that company. For example, a company that sells only annuity products would typically have a lower RBC requirement than a company that sells only health insurance (if the asset portfolios are identical). Companies that sell multiple lines of business will calculate an RBC requirement that reflects their unique mix of business and its combined relative risk.

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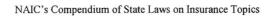
Prior approval states (Chairman Keiser)

NAIC's Compendium of State Laws on Insurance Topics

FILING REQUIREMENTS HEALTH INSURANCE FORMS AND RATES

The date following each state indicates the last time information for the state was reviewed/changed.

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
AL (2/09)	§ 27-14-8; Ins. Reg. 482-1-024	Prior approval (30 day deemer)		Filing required for informational purposes only.	Accident & Health
AK (2/09)	§§ 21.42.120, 21.42.123, 21.42.125, 21.09.270, 21.39.040, 21.39.210	File and use with 30 day waiting period with compliance certificate; Prior approval (30 day deemer) without compliance certificate.	Retaliatory	Prior approval; file and use if change is no greater than 10%.	Each Insurer
	Order 83-1(exempts certain forms)				
AZ (2/09)	§ 20-1110 Reg. 20-6-607	Prior approval (30 day deemer)		Filed for review (HCSO and group health forms are not filed).	Individual Health
AR (2/09)	§ 23-79-109; AR Ins. Rule & Reg. 57	Prior approval (30 day deemer)	\$50 policy, rider, application, per submission; \$20 for each rider, application or endorsement filed separately; \$20 for corrections in previously filed forms.	Prior approval (30 day deemer)	Individual Health



STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
CA (2/09)	Ins. §§ 795.5, 10290, 10236.13; Ca. Admin. Code tit. 10 § 2202	Prior approval (30 day deemer)	Indiv./Group Health, Long Term Care: \$580 Policy; \$130 Rider; \$130 New Issue Rate; \$170 Rate Increase. Medicare Supp.: \$330 Policy; \$60 Rider; \$130 Rates; \$130 Rate Increase.	File	Individual Health and Group Health, Medical Supplement, Credit Health
CO (2/09)	§§ 10-16-107, 10-16-107.2, 10-10-109; Ins. Reg. 1-1- 6; 4-2-11, 4-4-2; CO Bulletin B-4.18 § 10-16-321; Ins. Reg. 4-3-1	Prior approval	Included in general fee for services.	Prior Approval Prior Approval (60 day deemer); no need for approval if no increase requested (file and use). Prior Approval (30 day deemer)	Long Term Care All Health including Long Term Care and Credit Life and Disability. Medicare Supplement

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
CT (2/09)	§§ 38a-182, 38a-183, 38a-474, 38a-481, 38a-513; Reg. 38a-652; Reg. 38a- 481-1 to 38a-481-4	Prior approval	Retaliatory	File and use Prior approval (45 days)	Group LTC credit HMOs, med. supp., credit health
				Prior approval (30 day deemer)	Individual health except as noted above.
DE (2/09)	tit. 18 §§ 701, 2504, 2712, 3333	Prior approval (30 day deemer)	\$50 policies, riders applications, endorsements \$50 rate changes	File and use (45 days)	All Health including Med Supp., LTC, HMOs, Health Service Corps.
DC (2/09)	§§ 31-4712, 31-3508	Prior approval (30 day deemer)		Prior approval (30 day deemer)	Individual Accident and Sickness
e .				File and Use (60 day review)	Hospital & Medical Services Subscriber Contracts
	§ 31-3109			Prior approval (90 day deemer)	Health products with mental illness benefit; drug or alcohol abuse
FL (2/09)	§ 627.410	Prior approval (30 day deemer)		Prior approval (30 day deemer)	All Health

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
GA (2/09)	§ 33-24-9, 33-8-1, 35-57-5; Reg. 120-2-1006, Reg. 120-2-25 (specifies limited exemptions from filings); § 33-57-5; GA Bulletin L&H-2	Prior approval (90 day deemer but could be extended for additional 90 days)	\$25 form \$75 rate	Information filing required for any rate increase or new program; increases must also be filed with Consumer's Insurance Advocate.	All Health
HI (2/09)	§§ 431:10A-113, 431:10A- 309 § 431:14G-105	File—individual health Prior approval—med. supp.	\$20 per form \$50 per rate filing \$20 for form and rate filing	Annual compliance filing Prior approval	Approved plans All managed care plans
ID (2/09)	§§ 41-1812, 41-2136; Ins. Reg. 18.01.44 §§ 011, 040	File and use, certification required	For rate and form filings not filed with SERFF and in excess of 10 per calendar year, \$20 for each rate or form.	File and use, certification required.	Individual Health
IL (2/09)	215 ILCS 5/143, 5/355, 5/408; Reg. tit. 50 § 916.40	Prior approval	\$50 per form; \$200 per form for advisory and ratings orgs.	Rate filing shall be submitted with policy form filing.	Individual Health; Group Medicare supplement; Individual and Group Long Term Care

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
IN (2/09)	§ 27-8-5-1	Prior approval (30 day deemer)	\$35	File and use (30 days)	Group Health
	§ 27-13-7-11	Prior approval (30 day deemer)	\$35	Prior approval (30 day deemer)	Individual Health
	§§27-13-20-1 to 27-13-20-2	Prior approval	\$35	Prior approval	HMOs
	§ 27-1-3-15				
IA (2/09)	§§ 514A.13; Reg. 191-30.5, 191-36.9	Prior approval (30 day deemer and 60 days prior to effective date)		Prior approval (30 day deemer and 60 days prior to effective date)	All Health
KS (2/09)	§§ 40-216, 40-2215	Prior approval (30 day deemer)		File and use	Individual and Group Health
KY (2/09)	§§ 304.14-120, 304.17-380, 304.17-383, 304.17A-095; Reg. 806 KAR §§ 14:007, 15:150, 4:010	Prior approval (60 day deemer)	\$100; \$5 all other forms	File and use	All Health

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
LA (2/09)	§§ 22:211, 22:620, 22:972; Reg. 78; §10107 (37:XIII.10107)	Prior approval (45 day deemer)	\$100 per company per product for insurance policy filings	File and use (30 day deemer)	All Health
	§ 22:1078, Reg. 33 §545 and 550 (37:XIII.545 and 550)	Prior approval (45 day deemer)	Rates - \$100 per company per type of standard benefit plan		
	Reg. 46 § 1917 and 1937 (37:XIII.1917 and 1937)	Prior approval (45 day deemer)	No filing fees required for rate for Long Term Care	Prior approval	Long term care
ME (2/09)	tit. 24-A §§ 601, 2412, 2736, 2802, 5004, 5011, 5075-A; Ins. Reg. ch. 940, 755, 275, 425, 140; Bulletin 146, 325, 326 and 337	Prior approval (30 day deemer)	Cannot exceed \$20 per rate or form filing	File and use (60 days)	All Health, except individual, med supp., LTC, small group non-electing guaranty loss ratio option
MD (2/09)	Ins. §§ 12-203, 12-205, 2-112; Reg. 31.10.01.02, 31.10.01.02A, 31.04.17	Prior approval (60 day deemer)	\$125 per form and rate	Prior approval (90 days for changes)	All health
MA (2/09)	§ 175:110; Reg. 801 CMR 4.02	No filing required	\$75 per form \$150 per rate	No filing required	Health group
	§ 176J: 3; Reg. 211 CMR 66.13	File and use		No rate filing, actuarial certification required	Small group
	§§ 176:4 to 176:5; Reg. 211 CMR 41.00	Prior approval (standard plan)		Prior approval	Non-group

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
MI (2/09)	§§ 500.2236, 500.2242(a), 500.3474 Reg. 500.801 to 500.806; Order 97-010-M	Prior approval (30 day deemer)	None	File and use	Individual Health
MN (2/09)	§§ 62A.02, 60A.14	Prior approval (60 day deemer)	\$90 per rate or form filing; \$75 per form or rate if filed electronically	Prior approval (60 day deemer)	All policies
	§ 62A.02, Subd 2(b)			File and use	Rates related to accident & sickness as defined in §62A.01. Does not include Medicare-related coverage.
MS (2/09)	§ 83-9-3; Ins. Reg. A&H 73-4	Prior approval	\$15 policy \$10 rider, endorsement \$10 application	Prior approval Filed for review and acknowledgment	Med. Supp. and LTC Other Health
MO (2/09)	§§ 376.405, 376.777.7, 354.150, 354.495; Reg. tit. 20 § 400-8.200	Prior approval (60 day deemer)	\$50	No provision	
MT (2/09)	§§ 33-2-708, 33-2-709, 33-1-501; MT ADC 6.6.508A, 6.6.1107	Prior approval (60 day deemer) Prior approval for Medicare Supplement	No fees for filing forms or rates	Prior approval for rates higher than those established. Rates must be accepted prior to use.	Credit insurance Med. Supp.

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
NE (2/09)	§ 44-710; Reg. tit. 20 ch. 009	Prior approval	Retaliatory	Rate schedules shall be filed with policy forms.	All other Health
	§44-4501; Reg. tit. 210 ch. 46	Prior approval			Long Term Care
	Reg. tit. 210 ch. 36	Prior approval		Prior approval	Med. Supp.
	NE Bulletin CB-50				
NV (2/09)	§§ 680B.010, 687B.120, 689A.360, 680B.010; NV	Prior approval (45 day deemer)	\$25 rates and policy \$10 rider or	File and use	Individual Health
	ADC 687B.229		endorsement	Prior approval	Medicare Supplement
NH (2/09)	§§ 415:1, 415:18, 400- A:35; Reg. Ins. 401.02, 401.03	Prior approval (30 day deemer)	Retaliatory	Prior approval (30 day deemer)	All individual health, group med supp., LTC, small employer medical, hospital or surgical
				File and use (30 days)	All other group health
NJ (2/09)	§§ 17B:26-1, 17B:27-25, 17B:27-49, 17B:27E-11, 17B-27-74; Reg. 11:4-16, 11:4-18, 11:4-40	Prior approval (60 day deemer. Resubmission - 30 day deemer) Option to file and use available for certain forms		Prior approval (60 day deemer. Resubmission – 30 day deemer)	Individual Health, LTC
NM (2/09)	§§ 59A-18-12, 59A-18-13, 59A-6-1	Prior approval (60 days)	\$30 policy package \$15 incidental forms \$50 rate filing	Prior approval (60 day notice to policy holder)	All Health

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
NY (2/09)	Ins. Law §§ 3201, 4308, 4235(h); 11 NYCRR 52.40	Prior approval (90 day deemer)	None	Prior approval	Individual health and group and blanket forms where jurisdiction applies
NC (2/09)	§§ 58-6-5, 58-51-85, 58-51-95, 58-65-40, 58-68- 45, 58-67-50	Prior approval (90 day deemer) HSCO – Prior approval (within reasonable time)	None	Prior approval (all individual rate revisions, group med. Supp., medical service corp. rates)	All Health
ND (2/09)	§§ 26.1-11-06, 26.1-30-19 to 26.1-30-20	Prior approval (60 day deemer)	Retaliatory	Prior approval (60 day deemer)	All Health
OH (2/09)	§§ 3923.02, 3923.021; OH ADC 3901-1-57	Prior approval (30 day deemer)	\$50 forms; no fee for rate filings	Prior approval (30 day deemer)	All Health
OK (2/09)	tit. 36 §§ 321, 3610, 4402, OK ADC 365:10-5-63, 365:10-5-47.1	Prior approval (30/60 day deemer depending on type of filing)	\$50 policy or retaliatory if higher \$25 rider or retaliatory if higher	Rates filed with form.	All Health, Credit Life and Health

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OR (2/09)	§§ 742.003, 746.005, 743.018, 743.730(17)(27)(28), 743.737, 743.760; Reg. 836-010-0011	Prior approval (30 day deemer)		Prior approval	Individual and groups, except groups with more than 25 lives
	§ 836-052-0114	Prior approval	**	Prior approval	Medicare supp., except specific groups under Reg. 836-052-0114(5)
	§ 836-060-0043			Prior approval (for deviations from prima facie)	Credit life and health
	§ 836-060-0026 to 836- 060-0031			File and use (for statutory prima facie)	Credit life and health
	Reg. 836-052-0510	Prior approval			Long term care individuals and groups

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
PA (2/09)	§§ 40-18-3809, 40-18- 3803; 49 P.S. § 50	Prior approval (30 day deemer)	Retaliatory	Prior approval (45 day deemer)	All Health; some group exempt if meet requirements
RI (2/09)	§§ 27-18-8, 42-14-18, Reg. R27-23-1101 to R27-23-1102, R27-23-1106 to 27-23-1107	Prior approval (60 day deemer)	\$40 policy and related forms filed together; \$25 revised rate or form; retaliatory on fee- by-fee basis.	Prior approval (60 day deemer)	All Health
SC (2/09)	§§ 38-71-310, 38-71-720; Reg. 69-46; Bulletin 2-93	Prior approval (30 day deemer)		Prior approval (90 day deemer)	Individual Health, Group Med. Supp.
SD (2/09)	§§ 58-11-12, 58-11-17, 58-17-4.1	Prior approval (30 day deemer)		File and use (30 day deemer)	Individual health
TN (2/09)	§§ 56-26-102; Reg. ch. 0780-1-20	Prior approval (30 day deemer)		Prior approval (30 day deemer)	All health except experience rated groups
TX (2/09)	Reg. 28 TAC 3.1, 3.4; Ins. §§ 11153.051, 1701.051 to 1701.054	File and Use with certificate of compliance; Prior Approval without certificate (60 day deemer).	\$50 exempt from review; \$100 not exempt.	File and Use	Individual Health, Long Term Care, Credit Life, Accident and Health, Med. Supp.
UT (2/09)	§ 31A-21-201, 31A-3-103, 31a-3-108; Reg. R590-220	File and use	Included in annual fee	File and use	Individual health, med. Supp., long term care, health benefit plans

STATE	CITATION	FORM FILING REQUIREMENT	FEE	RATE FILING REQUIREMENT	RATE FILING APPLIES TO:
VT (2/09)	Ins. Reg. 93-5: tit. 8 §4062	Prior approval (30 day deemer)		Prior approval (30 day deemer)	All health
VA (2/09)	§ 38.2-316; Reg. 14 VAC 5-100-10 to 5-100-80; Reg. 14 VAC 5-130-10 et. seq.; 14 VAC 5-170-120, 14 VAC 5-200-77; 150 and 153	Prior approval (30 day deemer)		File and receive acknowledgment Prior approval	Group health Individual health, all med. supp.
WA (2/09)	§ 48.44.020	File and use	No fee	Prior approval (60 day deemer)	Healthcare service contractor, large group
	§ 48.46.060	File and use	No fee	Prior approval (60 day deemer)	HMO large group
	§§ 48.18.100, 48.18.010, 48.19.010, 48.20.025, 48.21.045, 48.66.035, 48.44.017, 48.44.023, 48.46.062, 48.46.066	Prior approval (30 day deemer)	No fee	Prior approval (30 day deemer)	Small group health plan rate changes, med. supp
				File and use (informational only)	Individual health plan
				File and use (subject to disapproval)	All other health
WV (2/09)	§§ 33-6-8, 33-6-34, 33-16B-1; 114 CSR 26-3	Prior approval (60 day deemer)	\$50 per form \$75 per rate	Prior approval (60 day deemer); Rate filings required for new products or rate changes; rate filings shall be filed with forms.	All health
	§ 33-6-8(b)(2)	File and use (30 day disapproval)		oo moa wan toinis.	Mass-marketed Health

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FILING REQUIREMENTS HEALTH INSURANCE FORMS AND RATES

2/09

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WI (2/09)	§§ 625.13, 631.20; WI Bulletin 4-28-2008; Reg. § INS 6.05	Prior approval (30 day deemer); May file and use with certification; does not apply to long-term care or Medicare Supplement.	None	Use and file (30 days)	Individual health
WY (2/09)	§§ 26-15-110, 26-18-135	Prior approval (45 day deemer)	No fee	File and use	Disability

This chart does not constitute a formal legal opinion by the NAIC staff on the provisions of state law and should not be relied upon as such. Every effort has been made to provide correct and accurate summaries to assist the reader in targeting useful information. For further details, the statutes and regulations cited should be consulted. The NAIC attempts to provide current information; however, readers should consult state law for additional adoptions.

Major Health Care Legislation in Congress

Information courtesy of the National Association of Insurance Commissioners

As of Sept. 8, 2009

Senate Finance negotiations

- Member-level Senate Finance Committee negotiations have largely taken a break during the congressional recess, though staff work continues in earnest.
- Sen. Mike Enzi (R-WY), one of the Republican negotiators, caused a stir by criticizing elements of the health reform efforts, prompting the White House to claim that he had "walked away from the table."
- Sen. Chuck Grasley (R-IA), the ranking member on the Finance Committee, also expressed doubts that a bipartisan compromise could be reached before the end of September, given public concern over the cost of reform and growing federal budget deficits.

Town hall meetings

- Raucus town-hall meetings about health care reform caught many members by surprise during the recess
 and have put a large dent in public support for reform efforts.
- While many critics of reform legislation cited disputed claims about provisions of the bill dealing with end-of-life care, comparative effectiveness research and how a public health insurance plan would operate, many others expressed concerns with the cost of reform, provider supply issues and other provisions of the legislation.

Death of Sen. Kennedy

- The death of Sen. Ted Kennedy (D-MA), chairman of the Senate Health, Education, Labor and Pensions Committee, has temporarily deprived Senate Democrats of their 60-seat supermajority needed to overcome filibusters.
- While we expect some reform proponents invoke his passing to appeal to Congress to pass legislation, we
 do not expect it to change any votes.

Waxman investigations

- Rep. Henry Waxman (D-CA) has very publicly launched two new investigations of the health insurance industry.
- One inquiry is looking into the industry's compensation practices and spending on conferences and off-site
 events.
- The other is looking into what they call "purging" of high cost small business policyholders by increasing premiums because of increased medical claims.