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**State of Vermont**  
**Department of Financial Regulation**  
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March 1, 2019

The Honorable Kitty Toll, Chair, House Committee on Appropriations  
The Honorable William Lippert, Chair, House Committee on Health Care  
115 State Street  
Montpelier, VT 05633

Dear Representatives Toll and Lippert,

I am providing this letter in response to the memorandum from Representative Lippert to Representative Toll, dated February 27, 2019, containing recommendations of the House Committee on Health Care on the Governor's FY20 budget.

Section I(c) of the memo, titled "Office of the Health Care Advocate," states that "[t]he Committee recommends exploring whether there is any duplication of services between the Office of the Health Care Advocate and the Department of Financial Regulation's consumer advocate and encourages the House Committee on Appropriations to see if there are any savings to be realized through consolidation of the Department of Financial Regulation's consumer health care services within the Office of the Health Care Advocate."

It is important to provide you both background on our consumer services section so you understand that no savings can be achieved nor would it make for good policy to consolidate consumer health care services within the Office of the Health Care Advocate.

### **Lack of Savings**

The Department's consumer services section is staffed by four full-time employees – a chief along with three consumer service specialists. Generally, two of these employees specialize in Property and Casualty matters and two specialize in Life and Health matters.

The two Life and Health specialists are cross trained to handle all insurance types that fall into this category including life insurance, annuities, specific disease (i.e. cancer), Medicare supplement, accident, hospital indemnity, dental care, vision care, long term care, short and



long-term disability, student health insurance and major medical health insurance. They handle complaints related to underwriting, claims, marketing, and services.

If consumer health care services were consolidated within the Office of the Health Care Advocate the Department would still require two employees to continue handling the many lines of insurance that are not related to health care. Accordingly, no savings would be achieved.

### **Policy Considerations**

The Department's consumer services team is exceptional in representing Vermont consumers and getting results. On average, the consumer services team receives 4584 inquiries, 592 complaints and recovers just under a million dollars per year for Vermont consumers.<sup>1</sup>

The team achieves these results because of their skill, expertise and authority as regulators. The Department can compel companies to provide information, make restitution and take corrective action. Further, the consumer services section aggregates complaint data with the National Association of Insurance Commissioners so insurance departments in New England and beyond can see important trends and set policy.

Further, multiple complaints received by our consumer services team regarding the same company often identify systematic issues within a company or industry. The consumer services section refers this information to our market conduct team and, where appropriate, works closely with them to conduct a full-scope investigation. Such an investigation may result in an administrative or civil enforcement action against the insurance company and relief for consumers such as payments or changes in insurer practices.

For example, in 2016 and 2017, a handful of consumer health complaints received by the Department turned into a market conduct investigation and subsequent settlement with a health insurer. The settlement brought \$158,915 plus interest in reimbursement to 470 Vermonters, an administrative penalty of \$70,500 to the general fund and most importantly corrective action by the company that continues to benefit thousands of Vermonters to this day.

The benefits described above would be lost for Vermont consumers if the type of consolidation contemplated here were to occur.

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<sup>1</sup> Based on last three years' data.



## Conclusion

The insurance division takes pride in its mission to protect Vermont consumers against unfair and unlawful business practices. Given our unique position as insurance regulator, and the powers outlined above, it is difficult to see how this mission could effectively be fulfilled by the Office of the Health Care Advocate.

Likewise, the Department recognizes the different role fulfilled by the Health Care Advocate. As an office within Vermont Legal Aid, the Health Care Advocate is well positioned to arrange for the legal representation of individual Vermonters, along with its other statutory roles.

In short, changing the current structure as contemplated, would not result in savings nor would it be effective policy. Should you wish to discuss further, please don't hesitate to contact me directly.

All the best,



Michael Pieciak  
Commissioner  
Department of Financial Regulation

