



Health Net

Health Net of the Northeast, Inc.  
One Far Mill Crossing  
P.O. Box 904  
Shelton, CT 06484-0944

www.healthnet.com

**Finance, Revenue and Bonding Committee**

**Testimony Submitted by  
Paul Lambdin  
President, Health Net of the Northeast, Inc.**

**February 12, 2009**

On behalf of Health Net of the Northeast, Inc. My name is Paul Lambdin and I am President of Health Net of the Northeast, employing 1,400 staff in Connecticut. I am writing in opposition to the following tax bills.

**HB 6348 – An Act Concerning Corporation Business Tax Credits.** This bill significantly restricts the ability of Connecticut companies to generate and use tax credits. Taxpayers would be required to apply for tax credit vouchers each year, with no idea as to how many would be awarded. Also under this proposal, excess credits would no longer be carried over to subsequent years and therefore would be lost. The lack of certainty and predictability would discourage the very in-Connecticut activities that the credits were originally designed to encourage. If passed, we estimate this bill would cost Health Net approximately **\$1 million** dollars in lost tax credits every year.

**HB 6349 - An Act Concerning the Sales Tax on Services.** This proposed legislation would establish taxable charges for medical services rendered by doctors and for-profit hospitals. With costs for healthcare rising several times faster than inflation, this bill would exacerbate the problem by making Connecticut healthcare costs rise an additional 6%. Those costs are shared by employers, insurance companies and individuals. Increasing health care costs generally result in increased insurance premiums, but the April 1 effective date of the bill would severely hurt health insurance companies that have already sold policies that continue into 2010. In 2008, Health Net of Connecticut had approximately \$880 million in health care costs that would effectively become taxable under this bill (only prescription drugs would be spared), which equates to **\$52.8 million** in additional tax.

**HB 6350 - An Act Eliminating Exemptions From the Sales and Use Tax and Lowering the Rate of Such Tax.** Among the exemptions eliminated by this bill is the exemption for professional services, such as those rendered by doctors and hospitals to their patients. As such, it would have the same deleterious effects as HB 6349 (see above discussion), except that the rate would result in a tax increase to Health Net of \$44 million. Because this bill also removes the inter-company exemption, it would cost Health Net nearly **\$4.25 million** per year in additional taxes on its General and Administration costs as well. The total increased tax burden to Health net would be **\$48.25 million**.

**SB 815 - An Act Concerning a Moratorium on Business Tax Credits.** This bill places a moratorium on tax credits allowed for corporations. This hurts Connecticut businesses. Tax credits are created to encourage companies to do business in Connecticut. Without these credits, a number of companies will choose to conduct their business in other states. A two-year moratorium makes little sense because companies will relocate or change their business practices during the two-year period and will most likely opt not to come back to the state once the moratorium expires. This bill, if passed, would increase our tax burden **\$1 million** a year for two years.

Our industry, like many others in Connecticut, is struggling to compete. Health Net has already undertaken internal cost savings initiatives including reductions in workforce in Connecticut. If these bills pass it will add additional financial hardship on our business. We respectfully request the Committee's rejection of these bills.