

Christine A. Cappiello
Director
Government Relations

Anthem Blue Cross and Blue Shield
370 Bassett Road
North Haven, CT 06473
Tel 203 985-6360
Fax 203 234-5157
christine.cappiello@anthem.com



March 2, 2009

Statement
Of
Anthem Blue Cross and Blue Shield
On
HB 6582 An Act Concerning Healthcare Partnership and
HB 6600 An Act Establishment of the Sustinet Plan

Good afternoon members of the Public Health, Human Services and Insurance Committees, my name is Christine Cappiello and I am the Director of Government Relations for Anthem Blue Cross and Blue Shield in Connecticut and this is a statement on **HB 6582 An Act Concerning Healthcare Partnership and HB 6600 An Act Establishment of the Sustinet Plan**.

We have some concerns about these bills. To begin, we think it is important to remind members of the committee some basic insurance principles. One of those is around healthcare premiums, which are the combination of retention expense and projected claim expense. Medical claim expenses account for 80-90% of total healthcare premiums. In order for **HB 6582 and HB 6600** to be successful and address the underlying needs of affordability in health insurance, there needs to be an understanding of how important it is to develop an actuarial model that addresses projected claims costs within the constructs of this proposal.

Voluntary participation, as many have stated is the goal of this legislation, creates a unique set of actuarial challenges. We believe, if you open the State of Connecticut employees benefit program to the municipal marketplace or any other marketplace, you initially will attract those groups that carry higher monthly claims expense. If their previously higher claims expense is due to higher utilization, more catastrophic illness, or difference in demographics than what is already in the state employee pool or the Sustinet pool, then these new entries threatens rate adequacy in the initial years and could threaten the viability of the pool in later years.

Allow me to take a brief moment to provide further information on how group health insurance works that may be beneficial to the committee as you deliberate this legislation. The goal of a group health insurance system is to provide access to quality healthcare benefits and the appropriate distribution of risk. A number of techniques are used to estimate the expected claims of a group. Items such as age, gender, location, type of industry, group financial strength, ease of

administration, level of participation, prior persistency, current and future benefits, level of managed care and prior claims experience are used to develop an actuarially sound group rate. Accepting these principals, the new Connecticut Healthcare Partnership program and Sustinet program that affords all access to the State of Connecticut's plan of benefits needs to create a rating model that aligns the risk associated with each group participating within the pool. Without the option to align risk, two things can occur. Rates for the entire pool could possibly be inadequate and groups with better risk could potentially seek insurance outside of the pool. Also, unanticipated change in enrollment among the plans within the program could create inappropriate funding in one of more of the plans. This could set up inadequate funding in the first year followed by significant rate increases for the pool upon renewal.

Anthem Blue Cross and Blue Shield believes that the goal of providing affordable health care for the Connecticut municipal marketplace is a worthy one. However, unless the program is structured to be sustainable for the long term it will only provide a temporary benefit. A program that is structured on strong actuarial principles provides a plan that can last into the foreseeable future.

Thank you for your time and attention and I am available for any questions that you might have.