



House of Representatives

General Assembly

File No. 106

February Session, 2010

House Bill No. 5295

House of Representatives, March 23, 2010

The Committee on Insurance and Real Estate reported through REP. FONTANA, S. of the 87th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING MUNICIPALITIES AND PRESCRIPTION DRUG PLANS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (m) of section 5-259 of the 2010 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage*):

4 (m) (1) Notwithstanding any provision of the general statutes, the
5 Comptroller shall begin procedures to convert the group
6 hospitalization and medical and surgical insurance plans set forth in
7 subsection (a) of this section, including any prescription drug plan
8 offered in connection with or in addition to such insurance plans, to
9 self-insured plans for benefit periods beginning on or after July 1, 2010,
10 except that any dental plan offered in connection with or in addition to
11 such self-insured plans may be fully insured.

12 (2) The Comptroller may enter into contracts with third-party
13 administrators to provide administrative services only for the self-

14 insured plans set forth in subdivision (1) of this subsection. Any such
 15 third-party administrator shall be required under such contract to
 16 charge such third-party administrator's lowest available rate for such
 17 services.

18 (3) (A) After the Comptroller has completed converting any
 19 prescription drug plan under subdivision (1) of this subsection to a
 20 self-insured plan and pursuant to subparagraph (C) of this
 21 subdivision, the Comptroller shall offer prescription drug coverage to
 22 nonstate public employers. For purposes of this subdivision, "nonstate
 23 public employer" means a municipality or other political subdivision
 24 of the state, including a board of education, quasi-public agency or
 25 public library.

26 (B) The Comptroller shall establish procedures to determine (i) the
 27 eligibility requirements for, (ii) the enrollment procedures for, (iii) the
 28 duration of, (iv) requirements regarding the payment of premiums for,
 29 and (v) the procedures for withdrawal from and termination of, such
 30 prescription drug plan coverage.

31 (C) The Comptroller shall not offer coverage under a self-insured
 32 prescription drug plan under subdivision (1) of this subsection until
 33 the State Employees' Bargaining Agent Coalition has provided its
 34 written consent to the clerks of both houses of the General Assembly to
 35 the inclusion of nonstate public employers in such prescription drug
 36 plan.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	5-259(m)

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 11 \$	FY 12 \$
State Comptroller - Fringe Benefits	GF & TF - Savings	Potential	Potential
Department of Revenue Services	GF - Revenue Loss	Potential	Potential

Note: GF=General Fund; TF = Transportation Fund

Municipal Impact:

Municipalities	Effect	FY 11 \$	FY 12 \$
Various Municipalities	Savings	Potential	Potential

Explanation

Upon passage this bill would require the Comptroller to allow nonstate public employers to join the state employee's self-insured prescription drug plan, assuming written consent from the State Employees' Bargaining Agent Coalition (SEBAC) has been obtained.¹ The state could potentially achieve savings by increasing the size of the state's current purchasing pool. Participation of nonstate public employers in the state prescription purchasing pool would be voluntary. There are approximately 110,000 municipal employees (including boards of education). It is anticipated that certain municipalities (particularly smaller towns and non-state public groups), boards of education, quasi-public agencies and public libraries will achieve savings from the state's large-group purchasing power and pooled administrative economies of scale. The

¹ The benefits provided under the state employee prescription plan are established in a collectively bargained agreement between the State of Connecticut and the State Employees Bargaining Agent Coalition (SEBAC). The current 20-year agreement expires in 2017.

Comptroller's Office is expected to handle administration for these additional entities within available resources. It is assumed that other nonstate public entities not anticipating savings would forgo joining the state plan. In order for these groups to determine whether they can achieve a savings under the state plan, employers must examine not only the rates and plan design but also 2 to 3 years of its utilization data.

Municipalities, boards of education, quasi-public agencies and public libraries currently offering health coverage through private health insurers are required to pay an Insurance Premiums Tax to the state of Connecticut. To the degree that this bill results in these groups shifting their participation into fully-insured health plans to procure coverage under Connecticut General Statute 5-259(i) the state would experience a revenue loss to the Insurance Premiums Tax.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**HB 5295*****AN ACT CONCERNING MUNICIPALITIES AND PRESCRIPTION DRUG PLANS.*****SUMMARY:**

This bill requires the comptroller to (1) allow nonstate public employers to join the state employee's prescription drug plan once it is self-insured, which it already is, and (2) establish procedures for doing this. The bill defines a "nonstate public employer" as a municipality or other state political subdivision, including a board of education, quasi-public agency, or public library.

The bill prohibits the comptroller from opening the prescription drug plan to nonstate public employers until the State Employees' Bargaining Agent Coalition (SEBAC) gives the House and Senate clerks written consent to do so.

EFFECTIVE DATE: Upon passage

PROCEDURES TO BE ESTABLISHED

The bill requires the comptroller to establish procedures for opening the prescription drug plan to nonstate public employers, including:

1. eligibility requirements,
2. enrollment process,
3. duration of coverage,
4. payment of premiums,
5. withdrawal from the plan, and
6. termination of coverage under the plan.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 14 Nay 5 (03/09/2010)