



House of Representatives

General Assembly

File No. 424

February Session, 2010

Substitute House Bill No. 5337

House of Representatives, April 8, 2010

The Committee on Planning and Development reported through REP. SHARKEY of the 88th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT AUTHORIZING TWO OR MORE MUNICIPALITIES OR BOARDS OF EDUCATION TO PURSUE JOINT EMPLOYEE HEALTH INSURANCE PLANS AND REQUIRING DISCLOSURES BY CERTAIN INSURANCE PRODUCERS.

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

1 Section 1. (NEW) (*Effective October 1, 2010*) Two or more
2 municipalities or local or regional boards of education may join
3 together by written agreement as a single entity for the purpose of
4 procuring health insurance or prescription drug insurance for their
5 employees. Such written agreement shall establish the membership of
6 such group, the duration of such health insurance or prescription drug
7 insurance coverage, requirements regarding the payment of premiums
8 for such health insurance or prescription drug insurance coverage and
9 the procedures for a municipality to withdraw from such group and
10 terminate such health insurance or prescription drug insurance
11 coverage. Any group established pursuant to this section shall not be
12 deemed a fictitious group. As used in this section, "municipality"

13 means any town, city or borough, consolidated town and city or
14 consolidated town and borough.

15 Sec. 2. (NEW) (*Effective October 1, 2010*) (a) For purposes of this
16 section, "insurance", "insurance producer" and "insurer" have the same
17 meanings as provided in section 38a-702a of the general statutes, and
18 "municipality" means any town, city or borough, consolidated town
19 and city or consolidated town and borough.

20 (b) Any insurance producer who sells, solicits or negotiates
21 insurance on behalf of an insurer to a municipality shall, upon request
22 from the municipality, fully disclose in writing the amount of any fees
23 or compensation such insurance producer receives from the insurer for
24 such services pursuant to the written memorandum required under
25 section 38a-707 of the general statutes or the Investment Advisers Act
26 of 1940, 15 USC 80b-1, et. seq., as amended from time to time.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2010</i>	New section
Sec. 2	<i>October 1, 2010</i>	New section

PD *Joint Favorable Subst.*

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 \$
Department of Revenue Services	GF - Revenue Loss	Potential	Potential

Note: GF=General Fund

Municipal Impact:

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

Explanation

Municipalities are expected to achieve savings to the extent that they utilize joint purchasing of health insurance as clarified by this bill.¹ Participation of municipalities in any joint purchasing pool would be voluntary. It is anticipated that certain municipalities (particularly smaller towns) will achieve savings from larger-group purchasing power and pooled administrative efficiencies. In order for cities and towns to determine whether they can achieve a savings through joint purchasing, employers must examine not only the rates and plan design but also 2 to 3 years of its own 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 from fully-insured health plans to procure self-insured coverage the state would experience a revenue loss to the Insurance Premiums Tax.

The bill also permits two or more local or regional boards of education to enter into a written agreement to act as a single entity in order to obtain health insurance. This is already allowed under current law and therefore does not result in a fiscal impact.

The Out Years

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

¹ In 1990 the Department of Insurance issued a letter ruling (HC-43) which forbids multiple employer welfare associations in Connecticut. CGS 7-148cc allows municipalities to perform any function jointly that they can do separately.

OLR Bill Analysis**sHB 5337*****AN ACT AUTHORIZING TWO OR MORE MUNICIPALITIES OR BOARDS OF EDUCATION TO PURSUE JOINT EMPLOYEE HEALTH INSURANCE PLANS AND REQUIRING DISCLOSURES BY CERTAIN INSURANCE PRODUCERS.*****SUMMARY:**

This bill allows two or more municipalities or local or regional boards of education to enter a written agreement to buy health insurance or prescription drug insurance for their employees. The agreement must establish the:

1. Group's membership,
2. duration of the coverage,
3. requirements for paying premiums, and
4. procedures for withdrawing from the group and terminating the coverage.

A group established under the bill cannot be considered a fictitious group (a grouping for rating purposes where a rate differentiation is based solely on group membership).

The bill requires that any insurance producer who sells, solicits, or negotiates insurance on behalf of an insurer to a municipality must, at the municipality's request, fully disclose in writing the amount of any fees or compensation the producer receives from the insurer for services under (1) the written memorandum required by existing law or (2) the 1944 Federal Investment Advisors Act.

The bill defines "municipality" as any town, city, borough, consolidated town and city, or consolidated town and borough.

EFFECTIVE DATE: October 1, 2010

BACKGROUND

Related Bill

HB 5424, favorably referred by the Education Committee, allows two or more boards of education to jointly purchase health insurance for their employees.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 20 Nay 0 (03/22/2010)