

5295 FIR



March 2, 2010

**Statement
Of
Anthem Blue Cross and Blue Shield
On
HB 5295 An Act Concerning Municipalities And Prescription Drug Plans.**

Good afternoon, Senator Crisco, Representative Fontana and members of the Insurance and Real Estate Committee. My name is Christine Cappiello and I am the Director of Government Relations for Anthem Blue Cross and Blue Shield in Connecticut and I am here to testify on **HB 5295 An Act Concerning Municipalities And Prescription Drug Plans.**

We have some concerns about this bill. 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 5295** 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 pharmacy 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 pharmacy pool, then these new entries threatens rate adequacy in the initial years and could threaten the viability of the pool in later years.

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, simply allowing them to purchase pharmacy benefits from the state employee plan 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.