



Quality is Our Bottom Line

Written Comments of the Connecticut Association of Health Plans
Insurance and Real Estate Committee
Public Health Committee
Human Services Committee

RB 6305 AAC IMPLEMENTATION OF THE SUSTINET HEALTH PLAN

RB 921 AA ESTABLISHING A STATE HEALTH INSURANCE EXCHANGE

**RB 6308 AA ESTABLISHING THE CONNECTICUT HEALTHCARE
PARTNERSHIP**

The CT Association of Health Plans, whose members include Aetna, CIGNA, CHN, ConnectiCare, United and WellCare, respectfully submits the following comments on the bills before you today, along with our strong commitment to working with the General Assembly, the Governor and any other interested groups to develop a consumer-focused, cost-effective plan for Connecticut designed to ensure access to health insurance for Connecticut's uninsured populations. Furthermore, the health insurance industry is prepared to commit whatever resources are necessary to work with the legislature and the Governor to make certain that there is an effective, accessible and consumer-friendly approach to implementing federal health care reform.

For the Committees' information, we have retained a well-known consulting firm to provide the legislature, administration and others with a dispassionate analysis of both the Sustinet study/report and the Sustinet legislation and will provide that analysis to you next week. In the meantime, please accept the following comments:

1. RB 6305 AAC IMPLEMENTATION OF THE SUSTINET HEALTH PLAN

It would be our great pleasure if we could simply relate to the Committees our experiences, as thought leaders in the health insurance world, on the development and implementation of medical homes, cutting-edge approaches to disease management and cost containment, alternative reimbursement arrangements, tiered networks, wellness programs and many of the other items upon which the Sustinet bill appears to stand in

agreement with the health insurance industry, but the main distracting and disturbing fact about the Sustinet bill is this: the Sustinet proposal before you contains provisions for what has come to be known as a "public option." Rejected after much debate during the struggle over federal reform, it has consistently reappeared in every Sustinet document, including the bill before the committees today, notwithstanding its defeat in Washington. Put frankly, the "public option" component of Sustinet takes all the air out of the room: ***the Connecticut Association of Health Plans cannot support a bill containing a public option.***

As informed legislators, each of you undoubtedly paid close attention to the debate in Washington over the public option. It was a contentious process, with a great deal of invective on both sides. In the end, it was rejected, and its inclusion here is disconcerting, especially given the rhetoric of advocates indicating that Sustinet is somehow a "perfect fit" with federal reform.

There have been many arguments made against the public option at both the state and federal level. The concept is particularly problematic for Connecticut, given our budget situation, the vital importance of the health insurance industry to our state economy and our state's history of underfunding provider reimbursement in public programs:

- a) ***Sustinet Carries Major Budget Risk:*** We are all aware of the significant budget challenges facing Connecticut. Moving all current state programs into a self-insured environment adds to the state balance sheet dramatic new financial risk which will be borne by taxpayers, not insurers, and in addition to moving current public programs into one self-insured state program, ***Sustinet calls for the state to become the bearer of health insurance risk for municipal governments, private employers and individuals.*** It is important to note in this context that the financial implications are not related solely to the new risk: the bill under consideration creates a new health care superstructure, including a number of new jobs and substantial new (and costly) administrative overhead;
- b) ***Sustinet is not Consistent with Rebuilding Connecticut's Economy and Jobs:*** Connecticut maintains the highest per capita concentration of health insurance employment in America. There are approximately 70,000 people in our state employed directly or indirectly in the health insurance industry. ***Sustinet dismisses this essential part of our jobs infrastructure and sends precisely the wrong message to health insurers located here: We don't want you and we don't need you.***
- c) ***Sustinet Exacerbates Cost Shifting:*** Perhaps the most insidious aspect of the Sustinet proposal's shifting of large portions of the privately insured market into public programs is the exacerbation of the "cost shift." Connecticut has a generous system of programs designed to ensure that most current state residents who do not have access to private insurance have access through publicly subsidized programs. This is a policy many of us are proud of. However, artificially low reimbursement rates in these public programs already force

providers, particularly hospitals and physicians, to shift costs to private insurers. Some analyses indicate that private insurers in Connecticut pay a 125% of hospital costs in order to account for underpayment by state Medicaid and other public programs. *Sustinet moves large portions of the population which is currently the de facto funder of public programs in Connecticut (privately insured citizens) into those very same public programs, and, therefore, squeezes out private employer and individual coverage.* The math of an actuarial death spiral is pretty simple – fewer citizens insured by the private sector, more citizens insured by the state exacerbates the cost shift, making private insurance more expensive, leading more citizens to seek health insurance from the state.

- d) *Sustinet Decreases Provider Access:* An additional consequence of the cost shift is the fact that as the number of citizens on public programs grows the number of providers able to accept public reimbursements decreases. In other words, *the delicate balance in today's market – where private insurance subsidizes public program underfunding – is upset by migration to public programs in an unacceptable way: by limiting provider access.*
- e) *The Public Option is not Consistent with Federal Reform:* The somewhat ironic fact is that after discarding the public option, the federal reforms are consistent with a modified market-based approach to the uninsured through the use of a range of tools, from limits on medical loss ratios to the creation of health insurance exchanges and a subsidy system designed to help people get access to affordable health insurance. By focusing on the public option, the Sustinet bill misses one of the essential tenets of federal reform: a robust private marketplace with appropriate rules of engagement by all participants is the approach chosen by Congress and the President. *A desire to re-fight an old battle may feel heroic to some, but what it really does is to put us further behind in implementation of federal reform at precisely the time we should all be working together on solutions.*

There is a great deal contained in the Sustinet bill which can form the basis for a conscientious and rational framework for moving forward with improvements to both quality and access in Connecticut. Unfortunately, the bill gets so wrapped up in its philosophical zeal that it trips on its way to the finish line. We stand ready to work with the Committees as the legislature considers both its response to federal reform and its policy initiatives to improve health care quality and access in Connecticut. Make no mistake, however: the Sustinet bill, notwithstanding its advocates entreaties to the contrary, is not a “roadmap” for implementing federal reform. It is an attempt to move the state towards increasing reliance on our government as an insurer at great potential risk to the state economy and job protection and growth.

2. RB 921 AA ESTABLISHING A STATE HEALTH INSURANCE EXCHANGE

Unlike the Sustinet bill, RB 921 is a worthy attempt to get down to the business we all need to focus on in order to implement the major provisions of the federal reform law regarding the creation of a state-based insurance exchange. There are many laudable aspects of exchanges, most notably in creating ease of access to information about health insurance products available through the exchange, ease of enrollment, etc. As you can probably imagine, there are quite literally hundreds of people working in insurance companies within a few miles of the State Capitol whose sole focus over the past few months has been exchange implementation. We look forward to working with the legislature and the new administration on implementing Connecticut's exchange.

3. RB 6308 AA ESTABLISHING THE CONNECTICUT HEALTHCARE PARTNERSHIP

The "pooling bill," as it has come to be known, begins with a premise few could challenge: give municipalities an additional opportunity to manage health insurance costs by offering the opportunity to participate in the state employee pool. Unfortunately, that principle is subsumed by the breadth of proposals contained in RB 6308, which goes much farther than offering an additional option to cities and towns and carries with it all of the risks associated with Sustinet – significant financial risk to the state, exacerbation of cost shift, and crowding out of the private insurance market.

RB 6308 would create a de facto public option by opening up the state plan to non-profit organizations and small employers (the definition of "small" in the bill is 100 employees or fewer). You can refer to our comments on the public option above; without significant reworking, however, we oppose the bill as it is currently drafted

We would be very willing to work with the General Assembly and the Governor on enhancing options for cost containment at the municipal level, however, and look forward to continuing that conversation.