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Testimony of
Kevin Lembo
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Concerning
HB 6322 AAC State Prescription Drug Purchasing
HB 6305 AAC Implementation of the Sustinet Plan
HB 6308 AA Establishing the Connecticut Healthcare Partnership

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Senator Stillman, Representative Ritter, Senator Musto, Representative Tercyak, Senator Crisco, Representative Megna and Members of the Committees:

I am Kevin Lembo, State Comptroller and I want to thank you for the opportunity to testify on three important pieces of legislation that would improve the lives of Connecticut residents. I also thank you for the time and energy you have committed to these health care issues and for advancing these bills through such an efficient process.

HB 6322 AAC State Prescription Drug Purchasing

As the state's fiscal guardian, I am deeply committed to eliminating wasteful spending, strengthening budget transparency and delivering government services more efficiently.

Our physical health and financial health are not independent. In fact, our financial strength thrives when our health care system operates cost-efficiently and ensures that citizens have access to care that avoids more expensive treatments down the road.

This bill will yield at least $66.5 million in savings year over year. Through an initiative with the Department of Social Services, it will authorize the OSC to procure prescription drugs for the Connecticut Medical Assistance Programs (Medicaid, HUSKY, ConnPACE) as well as Charter Oak. This unified purchasing will embolden the state's purchasing power building on our joint purchasing efforts with retired teachers and municipalities, which have already yielded substantial savings for all.

This bill will aggregate the purchase of prescription drugs but will have no impact on program provisions. Patients and consumers will see no change in the means by which they access and fill their prescriptions. Further, DSS will remain responsible for eligibility determinations, terms of participation, use of the preferred drug list, and supplemental rebates.

Savings will primarily be achieved through volume-related discounts, and have been estimated based on actual utilization data from the DSS programs. In its October 2010 report to the legislature, DSS indicated that it currently spends $599.5 million annually on prescription drugs for participants of the Connecticut Medical Assistance Programs and Charter Oak. For reference, the OSC annually spends $390 million on prescription drugs for state employees and retirees.

The Office of State Comptroller will purchase prescription drugs through its current pharmacy benefits manager, Caremark. Caremark has demonstrated through experience in other states that it can meet all of the requirements of the Medicaid program. This contract, upon expiration, will again be competitively bid.

This effort is primarily focused on savings related to volume-related discounts and alignment of reimbursement to levels in the state employee/retiree plan. In its current form, the bill does not alter the additional dispensing fee that is paid to participating pharmacists ($1.40 for state employees/retirees; $2.90 for Medicaid). Although reducing the dispensing fee could yield additional savings— approximately $13.5 million -- it would have an impact on providers including small independent pharmacists.

This initiative will require a lead time of 90 days to implement. To achieve cost savings starting July 1, 2011, timely transmittal of the bill to other relevant committees and to the floor is essential with an ideal target date of final passage of March 31, 2011. Each month implementation is delayed will reduce the estimated cost savings by $7.5 million.

I would like to take this opportunity to thank Senator Musto and Representative Tercyak for their swift support and work on this legislation. I am also deeply grateful to the staff of the comptroller's office, to State Sen. Gayle Slossberg, former State Rep. James Spallone, members of the General Assembly's GAE Committee, and the staff of the Department of Social Services for their work on this important issue.

HB 6305 AAC Implementation of the SustiNet Plan

With respect to the issue of affordable health care, the issues are clear and compelling:

In 2009, more than 10 percent of Connecticut residents under 65 were uninsured. Health care and insurance costs continue to increase at a dramatic pace. Both of these indicators must be addressed in order to achieve better health outcomes, a balanced state budget and a viable climate in which to do business in Connecticut.

The number of uninsured in Connecticut has steadily increased year after year and if the trends continue, the state could see the level of uninsured reach almost 400,000 people. Lack of coverage prevents people from getting the care that they need, and ultimately increases uncompensated hospital costs when they get sick.

Net state costs for Medicaid, HUSKY and state employee/retiree insurance are projected to increase significantly as will premium costs for private employers. One of the greatest obstacles for Connecticut businesses is the cost of providing health care to employees.

Access to affordable health care will not only keep Connecticut residents healthy, but will also support the Connecticut economy, saving lives and dollars.

SustiNet, as proposed, will give Connecticut the opportunity to provide health care to the uninsured, and to achieve better health outcomes. The SustiNet Board of Directors' recommendations are designed to make the plan a high-quality option of coverage that is attractive in the marketplace. The plan provides a health care exchange that offers a menu of care choices at a variety of cost levels. Further, SustiNet places an emphasis on preventative care, the use of patient-centered medical homes for better health care coordination, and evidence-based care practice.

Sustinet also represents an opportunity to achieve cost savings and to maximize federal support for health care costs.

In the first phase of Sustinet, harnessing the state's $8 billion a year health care spending will yield significant savings. It would authorize the Office of State Comptroller and the Department of Social Services, to unify state employees and retirees along with Medicaid and HUSKY beneficiaries under one health care purchasing authority. Enlarging the network of recipients will not only realize savings, but also provide the leverage needed to improve health care delivery.

In subsequent stages of implementation, municipalities will also have the opportunity to participate in joint purchasing, further propelling cost savings.

Additionally, Sustinet will position the State to harness newly available federal dollars. By expanding Medicaid eligibility levels, the state will be able to secure enhanced federal medical assistance payments (FMAP) through the Affordable Care Act (ACA)--estimated savings of $226 million to $277 million per year. This will significantly reduce the number of Connecticut residents who are uninsured

Implementation will require a conscientious, measured approach, but will provide Connecticut with affordable health care access to those who would not otherwise have it, and reduce costs to the State and key partners including municipalities and businesses.

This legislation is the product of two years of intensive work by all stakeholders—health experts, businesses and everyday citizens. I would like to thank former State Comptroller Nancy Wyman, Acting Healthcare Advocate Vicki Veltri, the SustiNet Health Partnership Board of Directors, the Universal Health Care Foundation, the Connecticut Health Foundation, Jesse B. Cox Charitable Lead Trust, and the State Coverage Initiatives Program of Academy Health at the Robert Wood Johnson Foundation for their work and support of this important legislation.

HB 6308 AA Establishing the Connecticut Healthcare Partnership

Finally, I would like to acknowledge the efforts of Speaker Chris Donovan, and other leaders, in again bringing forward this bill, which would parallel many of the aspects of the Sustinet legislation in permitting other entities, including municipalities, nonprofit organizations and small employers, to buy into the state's health care coverage. There are a number of technical issues that must be worked out – apportioning risk in the self-insured plan; benefit design and affordability; adverse selection – to help ensure success. But, at a time when small groups are having incredible difficulty in bearing the dramatic increases in health care premiums, there is strong evidence that expanding the pool of beneficiaries has the potential to achieve cost savings to all involved parties.

I appreciate your consideration of my testimony and would be happy to answer any questions.