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CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

TESTIMONY
BEFORE THE
PUBLIC HEALTH, INSURANCE AND REAL ESTATE
AND HUMAN SERVICES COMMITTEES
LEGISLATIVE OFFICE BUILDING
FEBRUARY 14, 2011

My name is Eric George and I am Associate Counsel for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing less than 50 people.

While the federal government has passed health care reform, more needs to be done to lower costs. More needs to be done to improve the health of our citizens. Employers find health care costs rising faster than other input costs. Some providers are unable to generate sufficient patient revenue to cover costs. Some patients cannot get timely access to optimal care. And too many individuals remain without health insurance, engage in unhealthy behaviors and live in unhealthy environments.

For the business community, the issues of health care quality, cost and access are critical. After numerous years of double-digit and near-double-digit increases, health insurance has quickly become a product that many people and companies find they can no longer afford. In addition, the cost of health care directly affects businesses' ability to create new jobs.

With that, we ask these committees to oppose **HB-6308, An Act Establishing the Connecticut Healthcare Partnership**. As currently envisioned, **HB-6308** would open the expensive state employee health plan to small businesses and others. This new state-run health plan would compete directly against the private sector.

Job Losses

At a time of significant job-loss and economic uncertainty, any legislation that threatens to make this crisis worse must be rejected. For the pooling plan under **HB-6308** to succeed, it must do so at the expense of private industry since it envisions itself as a direct competitor to private industry.

At a recent press conference, Governor Malloy said that he intends to grow the insurance industry, which is a key economic industry in our state. Governor Malloy cited the fact that the industry has lost about one quarter of its workforce over the last 20 years. He said, and we fully agree, that this trend of job-loss must be ended and reversed.

Since **HB-6308** seeks to have the State of Connecticut be a direct competitor to the private sector, for it to be successful, it must do so to the detriment of private industry – which directly contradicts the need to protect these jobs and grow this key economic base.

Unfunded Liabilities

Connecticut is in the unfortunate position of having the highest per capita debt in the country. Our total unfunded liabilities are \$70 billion, and nearly \$43 billion of these unfunded liabilities are attributed to state employee health care and pension costs.

Over the years, Connecticut has demonstrated a very poor track record in paying for its existing health care cost obligations. In fact, as Connecticut underfunds such state health programs as Medicaid, health care providers have been forced to shift a sizable portion of these costs onto those with private insurance – making private insurance more expensive in the process.

The prospect of adding the cost of **HB-6308** to this amount is very concerning.

Self-Insured

HB-6308 would utilize the existing and expensive state employee health insurance plan as the platform for its new state-run health care program. The state employee health plan was converted from a fully-insured system to a self-insured system a few years ago.

It is true that under a self-insured system like this, the State would no longer be required to pay health insurance premiums to carriers. However, the trade-off is that the State would have to pay the medical claims for everyone in the new plan.

This is a very risky idea, since no one knows just who will opt into this new plan – and if the individuals entering the plan have high risks and high claims, then the cost to the State could be very expensive.

Having this new plan be self-insured is also risky because federal health reform (which requires every state to set-up new health insurance marketplaces, known as "exchanges") says that only fully-licensed insurance products may be sold inside the exchange. A self-insured plan is not a fully-licensed product and would run afoul of federal reform.

Again, please reject **HB-6308** and thank you for the opportunity to offer CBIA's comments on this legislation. I look forward to working with you on this and other issues related to the reforming Connecticut's health care system.