STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

TESTIMONY PRESENTED BEFORE THE INSURANCE AND REAL ESTATE, HUMAN SERVICES, AND PUBLIC HEALTH COMMITTEES
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Good morning Senator Crisco, Representative Menga, Senator Musto, Representative Tercyak, Senator Stillman, Representative Ritter and members of the Insurance and Real Estate, Human Services and Public Health Committees. My name is Jeannette DeJesús, Deputy Commissioner for the Department of Public Health and Special Advisor to the Governor on Health Care Reform. I am here to speak to you about HB 6305 An Act Concerning Implementation Of The Sustinet Plan and SB 921 An Act Establishing A State Health Insurance Exchange.

Beginning in 2014, as required by the federal Affordable Care Act (ACA), individuals and small employers will have access to health care coverage through newly established Health Insurance Exchanges in each state. The purpose of the Exchange is to provide a central marketplace for individuals and small employers to purchase affordable health insurance from a choice of products offered by qualified health plans. Exchanges will ensure that participating health plans meet certain standards and facilitate competition and choices by rating health plan quality. Individuals and families purchasing health insurance through Exchanges may qualify for federal premium tax credits and reduced cost-sharing if their household income is between 133 percent and 400 percent of the Federal poverty level. The Exchanges will also coordinate eligibility and enrollment with both the State Medicaid and Children's Health Insurance Programs to ensure people have affordable health coverage.

The ACA allows states to choose whether to develop their own Exchange or turn this responsibility over to the federal government. Governor Malloy has made it clear that the development and operation of a Health Insurance Exchange for the benefit of the citizens of Connecticut is too important a responsibility to cede to the federal government. In addition, the federal government is encouraging states to establish their own Exchanges by fully funding the costs of planning, development and the initial operation of the Exchange through December 31, 2014.

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The ACA also allows states several options in terms of the types of entities that can be created for an Exchange: a State agency, a non-profit, or a quasi-State entity. We are proposing a quasi-State entity since we believe such an entity will provide the necessary State oversight while giving the Exchange the flexibility it needs to get up and running quickly and react to a changing market more nimbly. The quasi-State model has been used in the past in Connecticut; most recently for the Connecticut Health Information Technology Exchange.

Please note that SB 921 creates the governance structure for the Exchange and outlines the federally mandated functions. However, the bill purposely does not make any policy decisions, since we believe to do so would be premature. Currently, the Office of Policy and Management is administering a $1 million federal planning grant that will provide the necessary research and analysis to adequately inform a range of pending policy decisions. Furthermore, this year the federal government should be issuing regulations designed to clarify a number of Exchange and insurance market requirements and we want to make sure we are in compliance with this expected federal guidance. This bill gives the Exchange the responsibility to address these policy questions, which are outlined in section 11, and to report to the Governor and General Assembly annually on these matters.

The language in SB 921 is based upon model Exchange legislation developed by the National Association of Insurance Commissioners (NAIC) for use by individual states and addresses the governance as well as the basic responsibilities of an Exchange as required under the ACA. The NAIC Model Act is the result of a comprehensive review process by all State Insurance Commissioners and other interested parties. Language from the statute that created the Connecticut Health Information Technology Exchange was also utilized. Specifically this bill:

- Establishes a quasi-public authority charged with establishment and oversight of a Health Insurance Exchange in Connecticut, managed by a diverse Board of Directors. In order to meet the aggressive deadlines established by the federal government to have an Exchange operational and open to the public by January 1, 2014, it is essential to establish a governance structure this legislative session;
- Lists the duties of the Exchange as prescribed by the ACA;
- Provides for general requirements regarding how and when the Exchange will make qualified health plans available to the public, as required under the ACA; and
- Allows the Exchange to charge assessments or user fees to health carriers or generate other funding necessary to support Exchange operations. This is necessary since the Exchange, as required under the ACA, must be self sustaining by Jan. 1, 2015.

It is important to note that future multi-year federal funding available in 2011 to design and implement the Exchange is dependent upon the establishment of a state Exchange in legislation. As noted above, the federal government is committed to fully funding the development of Exchanges. Missing this opportunity would leave millions of needed federal dollars on the table and could jeopardize Connecticut's ability to meet the federal requirement of establishing an operational Exchange by January 1, 2014.

I would also like to take this opportunity to provide some comments on HB 6323 which would also establish an Exchange Authority. While SB 921 and HB 6323 are similar in many respects, there are some important differences I would like to point out.

SB 921 proposes a thirteen member Board of Directors with 4 appointments made by the Governor with the Office of Policy and Management, and the Departments of Social Services and Public Health included as voting members and the Insurance Department included as a non-voting member. HB 6323 proposes an eleven member Board of Directors with only 2 appointments from the Governor with the Department of Social Services as the only State agency represented.

Considering the close collaboration with the Executive Branch required in terms of vital interfaces with public medical assistance programs and information technology, the impact on the health insurance markets and regulation, and the potential State policy and budget impacts, I feel strongly the Executive Branch should have greater representation than is proposed in Raised Bill 6323 and feel the makeup of the Board that is proposed in SB 921 is more appropriate.

In addition, SB 921 has very clear language in Section 12 that assures that the Insurance Department retains their full authority to regulate the insurance industry. Section 18 of HB 6323 addresses this issue but I believe the language in this section is not clear enough to make sure the Insurance Department's regulatory authority is not eroded. The language in SB 921 was taken from the NAIC Model Act which was screened and reviewed by all states to make sure it addresses the concerns of Insurance Departments around the country regarding their continued ability to regulate the insurance industry.

I appreciate the opportunity to testify today and the Administration looks forward to working together with the General Assembly to develop legislation enacting an Exchange that is in the best interest of the state. I would be more than happy to answer any questions you might have at this time.