



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

TESTIMONY PRESENTED TO THE PUBLIC HEALTH COMMITTEE

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Testimony Regarding Senate Bill No. 1204

AN ACT ESTABLISHING THE CONNECTICUT HEALTH INSURANCE EXCHANGE

Senator Gerratana, Representative Ritter and distinguished members of the Public Health Committee, thank you for the opportunity to offer testimony on Senate Bill 1204, An Act Establishing the Connecticut Health Insurance Exchange.

Beginning in 2014, as required by the federal Affordable Care Act, Americans will have access to health care coverage through newly established Exchanges in each state. Individuals and small businesses can use the Exchanges 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 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 coordinate eligibility and enrollment with both the State Medicaid and Children's Health Insurance Programs to ensure people have affordable health coverage.

The Affordable Care Act 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. 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.

One of the most important steps in the development of Connecticut's Exchange is the passage of legislation authorizing the Exchange and establishing the Exchanges governing structure. In fact, for Connecticut to be eligible for multi-year funding from the federal government for the development and operation of the Exchange through December 31, 2014, we must have authorizing legislation passed.

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To that end, there are three legislative proposals that have been introduced to authorize the development of an Exchange. Senate Bill 921 was introduced by the Office of Policy and Management, House Bill 6323 was introduced by Speaker Donovan and the third bill, Senate Bill 1204, was introduced by Senator Williams and is the bill we are testifying on today.

There are many similarities between all three bills. Each bill would create a quasi-State entity with a Board of Directors that would oversee the development and ongoing implementation of the Exchange. All three bills use varying amounts of language that has been developed by the National Association of Insurance Commissioners as part of their model Exchange legislation. And, all three bills include the necessary requirements from the Affordable Care Act to assure Connecticut is in compliance with federal government.

However, there are some significant differences between the bills that are a cause of great concern to us. During a public hearing held on February 14th with your Committee and the Insurance and Real Estate and Human Services Committees, we outlined some of our concerns with House Bill 6323. While Senate Bill 1204 satisfactorily addresses some of these concerns, we still have major concerns regarding some of the provisions included in Senate Bill 1204 as detailed below.

Composition of Board of Directors:

While, as noted above, all three Exchange bills propose a quasi-State entity to develop and operate the Exchange, the bills differ significantly in terms of the appointments to the Board of Directors. Senate Bill 921 proposes a thirteen member board with the Governor having four appointments and the inclusion of the Departments of Social Services and Public Health and the Office of Policy and Management as voting members and the Insurance Department as a non-voting member. The remainder of the appointments would be made by legislative leaders.

Senate Bill 1204 proposes a seven member Board of Directors with the Governor making only one appointment and the other six appointments being made by legislative leaders. Four State agencies and the Health Care Advocate are included on the Board, but as non-voting members.

We believe the Executive Branch representation on the Board of Directors as proposed by Senate Bill 1204 is insufficient. 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, we believe strongly the Executive Branch should have greater voting representation on the Board as is proposed in Senate Bill 921.

Exemption for Exchange Employees from Classified Service:

Senate Bill 1204 exempts only Exchange managerial employees from the classified service. Senate Bill 921 exempts all Exchange employees from classified service. The federal government has set some very aggressive timelines for states to develop and operate the Exchange. The Exchange must in place by January 1, 2013 in order to be certified by the federal government and must be fully operational by January 1, 2014. These deadlines require that the Exchange be able to hire the most qualified staff in the shortest period of time. Requiring that all non-managerial employees be hired through the classified service will seriously hamper the Exchange's ability to quickly staff up with qualified individuals and could jeopardize Connecticut's ability to meet the federal government's deadlines.

State Mandated Insurance Benefits:

It appears that Senate Bill 1204 would require that health plans sold through the Exchange not only include the federally required Essential Health Benefits (EHB) package but also include all additional State-mandated insurance coverages. However, Senate Bill 1204 also requires the Exchange to report to the General Assembly regarding whether such State-mandated coverages should be required leaving the intent of the bill unclear.

The subsidies that will be provided by the federal government in the Exchange will be tied to the EHB package. The federal government has yet to develop the EHB and likely won't complete its work until the end of this year. If a State requires that health plans in the Exchange cover benefits above and beyond the EHB, then the federal government requires the State to subsidize the premiums for the additional benefits. Due to the potential cost to the State of requiring benefits above the EHB, it is advisable to wait until the federal government determines the EHB and what the premium subsidies will be. Senate Bill 921 calls for the Exchange to study the issue and report to the Governor and General Assembly. We believe strongly this is the most prudent approach.

Limiting Health Plans in the Exchange:

Senate Bill 1204 would require the Exchange to limit the number of health plans to be offered in the Exchange. We have serious concerns with making such a policy decision without federal guidance on Exchanges from the federal government. The goal should be to create an Exchange which provides Connecticut residents with the most choices for quality, affordable health insurance coverages.

Basic Health Program:

Another major concern with Senate Bill 1204 is a provision that would require the Department of Social Services to establish a Basic Health Program (BHP) beginning in 2014 as is allowed under the Affordable Care Act. The BHP would be funded by the federal government providing the State with 95% of the premium subsidies it would have provided to individuals with incomes between 133 – 200% of the federal poverty level had those individuals purchased insurance through the Exchange.

While the BHP may turn out to be the best option for these individuals and for the State, there is too much information that is not known at this time that will be critical in making a reasoned, informed decision regarding the BHP. Until the federal government provides guidance on the Essential Health Benefits package, and we have a better sense of the funds that might be available for a BHP, it is premature to require the State to establish a BHP. In addition, since a BHP cannot be implemented prior to 2014 there is ample time to study this matter and address the BHP in legislation next year.

In light of the fact that the federal government has yet to provide the necessary guidance on Exchanges to help states design their Exchanges and that we have some time to take a measured approach to developing our Exchange, we believe that any Exchange legislation should not make any policy decisions at this time. Senate Bill 921 takes the approach of setting up the Exchange Authority and governance structure, but addresses the policy decisions through a requirement that the Exchange report to the Governor and General Assembly by 2012 with recommendations on how to proceed with some of these very important issues.

Thank you again for the opportunity to present this testimony. I am more than willing to answer any questions you may have.