



**State of Connecticut**  
**SENATOR DONALD E. WILLIAMS, JR.**  
*Twenty-ninth District*  
**President Pro Tempore**

Senator Donald E. Williams, Jr.  
Senate President Pro Tempore

On

Senate Bill 1204: An Act Establishing The Connecticut Health Insurance Exchange

Public Health Committee

March 23, 2011

Senator Gerratana, Representative Ritter, and Distinguished Members of the Public Health Committee:

I submit this testimony in support of SB 1204, *An Act Establishing The Connecticut Health Insurance Exchange*. Thank you for raising this bill and for your attention to the issue of Connecticut's Health Care Exchange. As I am sure you all know, setting up the Exchange is one of the most important tasks before us this session.

The federal health care reform law (the Affordable Care Act or "ACA") relies heavily on health insurance exchanges to implement and effectuate reforms. The exchanges are to be marketplaces that promote effective competition and provide affordable, quality coverage options for individuals and small businesses. The ACA relies primarily on states to set up their own exchanges and gives states great flexibility in how they are structured.

Key exchange-related issues that we are grappling with this session include, among others, the structure of the exchange itself, the makeup of its board, avoiding adverse selection that can destroy the viability of the exchange, and how the exchange will exercise its regulatory obligation to certify health plans as meeting exchange requirements. I would like to focus my time today, however, on the very pressing issue of assuring that Connecticut's Exchange is an attractive and effective alternative for our small businesses.

As reports from the Commonwealth Fund remind us, health care coverage for employees of small firms is especially problematic; small employers pay higher administrative costs and overall greater per-employee costs for health insurance. According to the nonprofit Employee Benefit Research Institute, of the 46 million Americans living without health care, an outsized majority -- about 60 percent -- work for small businesses.

The Exchange offers us a rare opportunity to tackle this problem. The bill before you takes advantage of this opportunity in many ways. First, the bill requires that the expertise of members of the Exchange Board include "small employer health insurance coverage." The bill also authorizes the board to consult with stakeholders, specifically including small employers. Other tools that will help ensure that the Exchange meets small business health insurance needs include: a calculator to determine the actual cost of coverage after application of any premium tax credit, a rating system that allows small employers to compare the value of health plans, and the establishment of a pre-tax medical premium payroll deduction for employees of small businesses. Importantly also, the bill spells out the dual function of the Connecticut Exchange as follows: "The purposes of the Connecticut Health Insurance Exchange shall be to reduce the number of individuals without health insurance in this state and assist small employers in the procurement and administration of health insurance . . . ."

Because the exchanges are new, it means that Connecticut, like other states, must make decisions, with far-reaching impact, but with little experience to rely on. SB 1204 provides a solid base for discussion, as do the two exchange bills before the Insurance Committee. I look forward to working with members of both Committees as you refine your proposals to maximize the effectiveness of Connecticut's Exchange and assure a viable, cost-effective means for individuals and small businesses to obtain high quality health care coverage.

Thank you for your time, and thank you again for your efforts with respect to Connecticut's Health Care Exchange.