

**INSURANCE AND REAL ESTATE COMMITTEE
HUMAN SERVICES COMMITTEE
PUBLIC HEALTH COMMITTEE
MONDAY, FEBRUARY 14, 2011**

Testimony of Julie Chubet

**In Opposition to H.B. No. 6305 (RAISED) AN ACT CONCERNING
IMPLEMENTATION OF THE SUSTINET PLAN**

Members of the Insurance and Real Estate and Public Health Committee I want to thank you for the opportunity to testify today.

Medical insurance rates are high because Health Care is expensive. Over 85% of each premium dollar goes to pay for the increasing cost of medical treatment. Of this 85%, 70% or more of these expenses can be directly connected to people's lifestyle choices such as smoking, obesity and excessive alcohol consumption. Consequently, an important focus within health reform efforts in Connecticut needs to be on treatment costs.

While the SustiNet program has various worthwhile goals, the program does little to address or lower medical treatment expenses. The proposal raises important, but unanswered questions on how a public medical insurance plan can create affordable coverage. For example:

Some supporters have the perception that the idea of pooling; bringing the state employee medical benefits and Connecticut's Medicaid system (Husky) together along with providing access to more individuals will lower the cost of coverage. What people fail to realize is that the claims are the claims. A heart attack under a small group costs the same as it would under a large group, hospital and doctors are paid the same amount. The Carrier market has been pooling thousands of employers plans together for years and it has not dramatically decreased premiums for anyone. Actuarial studies have shown that creating a larger medical plan by simply combining groups does not result in lower costs. What usually happens is the companies and individuals that are inclined to participate tend to have high medical claims, which just creates higher costs. Also the idea of self insuring does nothing to lower medical treatment costs.

Individuals on Medicaid have, by federal/state regulations, extensive coverage. However, because of Medicaid's very low reimbursements they have limited access to providers. In addition, a high percentage of providers have stopped accepting *new* Medicaid patients. On the other side you have the State employee plan that offers several expensive benefit options and we know from when the Municipal Health Insurance Plan (MEHIP) started a few years ago, regulations did not allow funds in this benefit plan to be co-mingled with dollars covering people outside this group. How can these two very different plans be managed, lower costs and at the same time develop coverage options for others?

Lower medical insurance premiums can only be created by getting individuals more involved in their medical treatment or by limiting coverage. The Connecticut Charter Oak Health Plan's efforts for a low premium (currently \$307 per month for all new adult enrollees) were primarily achieved by limiting annual benefits to a maximum of \$100,000. Plus limits on Prescriptions. Sustinet would not be able to limit coverage since federal health reform requires extensive coverage and unlimited annual and lifetime benefits!

An important point on Connecticut's ability to afford a public run medical insurance plan: In a couple years, most of the cost of expanding Medicaid to what the federal law calls "newly eligible" will be picked up by federal funds. However, federal law does not allow any of these dollars, except for certain primary care services, to go toward increasing payments to providers. Where is Connecticut going to find the money needed today for a significant increase in provider reimbursement so MDs are available to treat those on Medicaid? Let alone for all the people who will become increasingly eligible?

An important point on how federal health reform will affect Sustinet's efforts: to participate in the Exchange a health plan must meet requirements such as - be in good standing - be accredited on quality standards - be subject to state insurance regulations and not self funded - to have a state license. How can Sustinet with no history qualify? In addition, Connecticut regulations require a health plan, wanting a license, to have significant reserves. Where will these dollars come from?

I think it is also important to recognize the role of the insurance agent. We go out to our clients and explain the new laws, how it will effect them and help them to implement them anywhere from COBRA to FMLA. We act as an extension of their H R department and in some cases with small employer we are their HR department.