

**Testimony of Stan Dorn, Urban Institute Senior
Fellow, concerning HB 6305**

**Before the Insurance and Real Estate Committee,
Public Health Committee, and Human Services
Committee of the Connecticut General Assembly**

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Committee chairs and members, thank you for the opportunity to speak with you today. With support from the Universal Health Care Foundation of Connecticut, the Connecticut Health Foundation, and the Robert Wood Johnson Foundation, colleagues of mine at the Urban Institute and I have worked for several years to help a broad range of Connecticut stakeholders develop what became the SustiNet proposal. Dr. Jonathan Gruber of the Massachusetts Institute of Technology, one of the country's leading health economists, has collaborated in this work by estimating the cost and coverage effects of various policy options. Along with other consultants and literally hundreds of Connecticut volunteer experts, we helped the SustiNet Health Partnership Board of Directors as it worked for more than a year to prepare last month's recommendations to the General Assembly.

My remarks today describe the key features of SustiNet and analyze the proposal's potential impact on the state budget and private-sector health costs.

In a nutshell, SustiNet has three main elements. First, the SustiNet health plan will apply the country's best thinking about reforming health care delivery and provider payment to slow cost growth while maintaining or improving quality of care. A new, quasi-public Authority will begin by making these changes with existing state-sponsored populations, including Medicaid, HUSKY, and state employee coverage.

Second, in 2014, SustiNet's coverage of HUSKY adults will expand to include all low-income, uninsured adults—that is, those who earn no more than 200 percent of the federal poverty level. The federal government will provide funding through Medicaid and the Basic Health Program option in the Affordable Care Act.

Third, SustiNet's reformed system of health coverage will be available to employers and individuals throughout the state. Municipalities will be the first to be offered this new

health insurance choice, but by the time the state's health insurance exchange is operational in 2014, any individual or employer in Connecticut will have the option to buy SustiNet.

This proposal promises to reduce state health care costs, for three reasons. First, it implements the Affordable Care Act's expansion of Medicaid eligibility. As a result, federal Medicaid dollars will substitute for more than \$100 million in annual General Fund spending on health care for low-income residents. Of course, the state will realize these savings whether the Medicaid expansion occurs through SustiNet or another legislative vehicle.

Second, by implementing the Basic Health Program option, SustiNet gives the state additional savings. HUSKY parents will retain current benefits and cost-sharing protections, even as the state saves \$50 million a year by shifting some of the underlying funding from Medicaid, for which the state pays 50 percent of costs, to the Basic Health Program, for which the federal government will pay all costs. Additional savings would come from making that same shift for lawfully present immigrants who now receive State Medical Assistance for Noncitizens (SMANC).

Third, if SustiNet's delivery system and payment reforms prove effective, the state will save on Medicaid, HUSKY, and coverage for state employees and retirees. Even a 1 percentage point reduction in annual health care cost increases would yield General Fund savings of \$78 million in 2014 and higher amounts in later years, according to Dr. Gruber's research.

SustiNet would also have a positive effect on private sector costs, for two reasons. First, by offering an additional health insurance option, SustiNet increases competition among insurers, which offers the prospect of greater efficiency and value. Second, if SustiNet's delivery system and payment reforms slow cost growth, employers and

individuals in the state will share in the resulting savings. They can do so most directly by purchasing SustiNet coverage. And as SustiNet serves more members, the plan increases its leverage to implement reforms that further slow cost growth. But even if employers and consumers buy private coverage, competitive pressure from SustiNet will encourage insurers to adopt any successful innovations that SustiNet pioneers.

In thinking about the need for SustiNet, one meeting of Connecticut small employers stands out in my memory. I'll never forget their complaints about what they saw as an insane system: fee-for-service reimbursement means that the more a provider does, the more the provider earns, even when the extra services don't do much for patient health; without the kind of information technology that has transformed every other industry, health care can be uncoordinated, inefficient, and even dangerous; and it's impossible to get good information about the value employers receive for their premium dollar.

SustiNet will change these dynamics with patient-centered medical homes that coordinate care and help consumers manage their own health conditions; incentives for evidence-based medicine and personal responsibility; electronic health records that promote accountability and reduce inefficiency; and new methods of provider payment that base reimbursement on performance, not volume. The proposal before you would apply that model to state-sponsored coverage and offer it as an option for any employer, entrepreneur, or other resident who buys health insurance. This approach will put Connecticut in the front ranks of American states that are innovators in using the tools of the Affordable Care Act to expand coverage while slowing health care cost growth in public and private sectors alike.

I'd be delighted to answer any questions.