



State of Connecticut
OFFICE OF THE SPEAKER
LEGISLATIVE OFFICE BUILDING, ROOM 4100
HARTFORD, CONNECTICUT 06106-1591

Testimony of Speaker of the House Christopher G. Donovan
To the Insurance and Real Estate Committee in support of:
HB 5487, AAC the Recommendations of the Small Business Healthcare Working Group
March 13, 2012

Good afternoon Representative Megna, Senator Crisco and Members of the Insurance and Real Estate Committee. I appreciate the opportunity to express my strong support for one of the many important proposals before you this session, HB 5487, AAC the Recommendations of the Small Business Healthcare Working Group.

If the financial challenges of the last few years have taught us anything, it is that healthcare is an economic issue. Access to affordable healthcare can open the door to hiring an employee, becoming an entrepreneur, or being able to retain experienced employees and provide quality services. Due to high administrative costs, adverse selection and other factors, small businesses pay more per worker than large firms for health insurance. These higher costs eat into wages and investment in growth.

The majority of Connecticut's businesses are small businesses and historically, during good times and bad, Connecticut has relied on them to be job generators and innovators. One of the biggest barriers to job growth, attracting and retaining talented employees is the rising cost of health insurance. Just over half (53.1%) of Connecticut businesses with fewer than 50 employees can afford to offer coverage. Small employers and self-employed individuals lack leverage, purchasing power and the ability to aggregate their risk as part of a larger pool. Many of the products available provide only a modest benefit for a high price. Further, small employers and their employees are subject to unpredictable health care costs from year to year. Small employers would benefit from being part of a larger risk pool, which can generate efficiencies, create stability and level the playing field between health insurance purchasers and insurers.

HB 5487 takes several steps to improve small employers' access to affordable coverage. First, it permits small employers with less than fifty employees, including self-employed individuals, to purchase insurance through the state employee health insurance plan. It is common for small employers to face annual double-digit premium increases—making it nearly impossible to budget for healthcare costs. By aggressively managing costs and emphasizing prevention to avoid high cost claims, the state employee plan is bending the cost curve and has seen single-digit increases for the last several years. Note that the bill before you gives the Comptroller the flexibility to offer small employers a prescription drug plan separate from that offered within the state employee plan.

Last year, the legislature passed PA 11-58, which opened the state employee plan to municipalities and nonprofits. The Comptroller has begun calculating premiums for municipalities interested in purchasing insurance through the state plan and to date, projections show that many municipalities would benefit from joining the state plan.

Second, this bill eliminates insurers' ability to adjust small group premiums based on age, gender and occupation. Federal health reform prohibits rating based on gender and occupation. This bill goes even further by prohibiting adjustments for age. This means small group premiums will no longer rise simply because employees grow older. This change also removes a disincentive to small employers hiring older, more skilled workers.

Third, HB 5487 requires insurers to rate and offer policies to associations. Connecticut's current law allows small employers and individuals to band together and purchase insurance as a large group if they meet certain insurance law requirements (Sec. 38a-567(22)(B)). This existing provision exempts associations from adjusted community rating and allows them to pool together and be rated based on claims experience just like large employers. For years, some of Connecticut's professional associations have tried unsuccessfully to purchase group insurance on behalf of thousands of small businesses. This provision would entitle them to receive a price quote for insuring their association based on the claims experience of the entire group.

Fourth, this proposal requires insurers to report on whether employers' current insurance plans meet the minimum cost-sharing standards that will be in place in 2014. In order to fill the federal individual responsibility requirement, a health insurance policy must have an actuarial value of at least 60%, meaning it covers at least 60% of projected medical expenses. Employers need this information as soon as possible so that they can seek out affordable options for themselves and their employees if their current coverage does not meet this floor.

Finally, this legislation takes steps to increase transparency in the employer-based insurance market. It expands the current requirement that insurers annually provide de-identified claims information to municipal employers to include additional employers. Employers who purchase insurance should have access to this information so they can better understand and manage the costs of their plans and solicit competitive bids. The bill protects employees' identities by requiring that the information be de-identified and reported in aggregate. This information will only be available to employer with more than 50 employees.

I would like to take this opportunity to thank the members of the Small Business Healthcare Working Group for their tireless efforts on their important issues. I want to acknowledge the small business owners who are giving up time at their businesses to be here today to support this bill. I urge the committee to support this important proposal.