



CONNECTICUT  
BUSINESS & INDUSTRY  
ASSOCIATION

TESTIMONY  
BEFORE THE  
INSURANCE AND REAL ESTATE COMMITTEE  
LEGISLATIVE OFFICE BUILDING  
MARCH 13, 2012

My name is Eric George and I am Associate Counsel for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing less than 50 people.

While the federal government has passed health care reform and Connecticut has begun the process of establishing its federally-required health insurance exchange, more still needs to be done to lower costs and more needs to be done to improve the health of our citizens. Employers find health care costs rising faster than other input costs. Some providers are unable to generate sufficient patient revenue to cover costs. Some patients cannot get timely access to optimal care. And too many individuals remain without health insurance, engage in unhealthy behaviors and live in unhealthy environments.

For the business community, the issues of health care quality, cost and access are critical. After numerous years of double-digit and near-double-digit increases, health insurance has quickly become a product that many people and companies find they can no longer afford. In addition, the cost of health care directly affects businesses' ability to create new jobs.

Therefore, CBIA asks this committee to oppose **HB 5487, An Act Concerning the Recommendations of the Small Business Healthcare Group and Claims Information Required to be Provided by Insurers**. There are two provisions of this bill that are especially concerning.

### Pooling

**HB 5487** would open the self-insured and expensive state employee health insurance plan to various groups, including small businesses.

It is true that under a self-insured system, the State would not be required to pay health insurance premiums to carriers for the lives covered under the state employee plan. However, the trade-off is that the State would have to pay the medical claims for everyone in the plan.

This is a very risky idea, since no one knows just who will opt into this plan – and if the individuals entering the plan have high risks and high claims, then the cost to the State could be very expensive.

This legislation is also problematic since the plan envisioned under **HB 5487** would be offered to small businesses. One of the major goals of the recently enacted federal health reform requires each state to set-up new health insurance marketplaces, known as “exchanges”, for small companies and individuals.

However, under federal law, only fully-licensed insurance products may be sold through these exchanges. And since a self-insured plan is not a fully-licensed product, it appears that the health insurance plan envisioned under **HB 5487** would be prohibited from being sold through Connecticut’s new exchange.

### **Pure Community Rating**

**HB 5487** would also change Connecticut's health insurance rating laws for small businesses in a way that could result in young adults dropping coverage. Ultimately, if younger people opt out of the small employer healthcare market, rates would go up because the remaining market would be older, less healthy and more expensive.

Small business health insurance premiums are already expensive, but the state’s current health insurance rating system (called adjusted community rating) protects them from even higher costs.

#### *Best of both*

The current, adjusted community rating system Connecticut uses for small employers brings together the best of two different rating methodologies.

On the one hand, it prohibits health insurance carriers from medically underwriting specific small groups—which insulates small employers with less healthy employees from experiencing huge hikes in premiums from year to year.

On the other hand, it also allows employer groups to have their health insurance premiums somewhat tailored to their specific demographics.

Here's how it works: Through adjusted community rating, insurance carriers begin with a community rate for all Connecticut small employers. The carriers then adjust that rate for specific small employer groups through certain adjustment factors—such as gender, age, location of the employer in the state, and type of industry.

#### *Unbalanced*

If Connecticut were to move small businesses to a non-adjusted rating system (known as "pure community rating") and prohibit carriers from age-adjusting the rate for each

employer group—the result would be that younger people would have higher premiums because they would be further subsidizing older people.

It's a double-edged sword-- bad for the younger people but good for the older ones.

Perhaps in the short term older individuals could see lower rates. However, if younger people leave the market to avoid the higher costs, then rates would go up across the board, and everyone would suffer – regardless of age.

While Connecticut's small group health insurance marketplace is by no means inexpensive, it's balanced in the way it sets premium rates and reduces market volatility. If Connecticut were to move to a pure community rating system, then expect greater volatility and higher costs.

Higher costs are not the direction Connecticut should be taking. We need to increase the affordability and accessibility of health insurance for everyone. CBIA encourages lawmakers, for the sake of the affordability and accessibility of health insurance, to reject moving small businesses to a pure community rating.

Thank you for considering our position on **HB 5487** and we look forward to working on this and other healthcare issues with you.