Quality is Our Bottom Line

Public Health Committee

Public Hearing

Comments of the Connecticut Association of Health Plans

SB 425 AAC A BASIC HEALTH PROGRAM

March 21, 2012

The Connecticut Association of Health Plans, representing the major health insurers in the state, appreciates the opportunity to provide comment on SB 425 AAC A BASIC HEALTH PROGRAM. Passage of this legislation is at best premature and at worst potentially highly disruptive to the provider community, especially hospitals, who bear the great burden of Connecticut's underfunding of reimbursement in the State's Medicaid program.

Connecticut, like most states, is in the thick of developing a Health Insurance Exchange. It is an enormous task and very resource intensive. To remove an entire population while planning is ongoing and when important market/exchange structure regulations and guidance are still forthcoming from the federal government is a mistake. Too much work and planning still needs to happen before an informed decision about the benefits or costs of a Basic Health Plan can be answered.

As you know, Connecticut's Medicaid system has for decades paid significantly less than cost for hospital services. This underpayment has resulted in a dramatic "cost shift," with the reimbursement shortfall shifted to those covered by private insurers. Some estimates we have seen indicate that as much as 25% of hospital payments from private insurers goes to covering the cost shift from inadequate Medicaid reimbursement.

The Basic Health Plan model will only exacerbate the cost shift, by enrolling significant numbers in what is essentially the Medicaid program at Medicaid reimbursement levels. And this addition will come at a time when payers and their customers will have decidedly less flexibility in their cost structure to accommodate the additional expense.

We would urge the state to postpone consideration of the Basic Health Plan until it becomes clearer whether the program, and its costs, are necessary to provide coverage outside of the Exchange.

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