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WRITTEN TESTIMONY
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Concerning
SB 596 AAC the Duties of the Connecticut Health Insurance Exchange

January 31, 2013

Senator Crisco, Representative Megna, Senator Hartley, Representative Wright,
Senator Kelly, Representative Sampson and Members of the Committee:

Thank you for the opportunity to express my support for *SB 596 An Act Concerning the Duties of the Connecticut Health Insurance Exchange*.

This bill will require the Health Insurance Exchange to negotiate premiums with insurers on behalf of consumers and small businesses.

The health exchange has the potential to fundamentally change the individual and small group insurance market in the state of Connecticut by reducing the cost and improving the value of products available to individual and small group health insurance purchasers.

Currently, individuals and small groups face higher insurance costs than larger health care purchasers. According to the U.S. Department of Health and Human Services, small businesses pay 18% more than large companies on average. The exchange presents an opportunity to bring premiums in the individual and small group markets in line with those paid by larger entities.

It is estimated that one in ten Connecticut residents or between 250,000 and 300,000 state residents will be purchasing their health care coverage through the insurance exchange by the year 2016.

The large pool of participants will provide the exchange board with significant leverage in negotiating premiums. Currently the state of Connecticut is the largest purchaser of health care in the state. Through my office the state employee health plan which covers more than 200,000 lives, has secured very low administrative costs and deep prescription drug discounts by actively negotiating with the plan's third party administrators and pharmacy benefit manager.

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The exchange, which is anticipated to cover even more lives than the state plan, has an opportunity to do the same for the benefit of individual and small group purchasers.

The experience of exchanges in Massachusetts and Utah provide powerful anecdotal evidence of the benefits of negotiating premium prices. The Massachusetts exchange negotiates premium prices with insurers and has seen lower premium increases for plans inside the exchange than those outside the exchange. The lower rates of premium increases in the exchange were estimated to save consumers between \$16 and 20 million in FY 10. In Utah the exchange does not negotiate premiums and the experience has been exactly the opposite, higher premiums inside the exchange than outside the exchange.

I would also like the committee to consider not limiting the exchange's negotiating power to only premiums, and expand it to negotiating with insurers on plan design. According to the Consumers Union, consumers are not looking for the cheapest plan, but the plan that is the best *value* they are able to afford. One of the issues with our existing individual and small group markets is that it is difficult for consumers to measure value when purchasing insurance. Research performed by the Consumers Union revealed that consumers would prefer that the confusing list of insurance options be already sorted out for them. A study by *Health Affairs* journal showed that only 5.2% of Medicare Part D participants made the most effective selection for their healthcare needs because they were too confused by the number of plans offered. As a result, on average, participants paid \$368 more a year than needed.

The bottom line is that the Health Insurance Exchange must negotiate insurance premiums and plan designs to meet its own basic, essential mission – to increase the number of insured Connecticut residents, improve health care quality, lower costs and reduce health disparities while providing an exceptional consumer experience.

I strongly support this legislation so that we can provide Connecticut's residents with the best healthcare options they can afford. I urge you to consider expanding this bill to cover plan design as well. Thank you for your consideration.