

TESTIMONY  
BEFORE THE  
APPROPRIATIONS COMMITTEE  
LEGISLATIVE OFFICE BUILDING  
March 14, 2014

My name is Jennifer Herz and I am Assistant 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.

**CBIA has significant concerns with Section 24 of SB 21 An Act Implementing the Budget Recommendations of the Governor Concerning General Government.**

Recently, there has been much discussion and attention on the high cost of health insurance in our state. At the outset the cost issue must be identified not only as a barrier in dollars and cents but more importantly as a barrier to access. If health insurance is too expensive to purchase then we do not even have the opportunity to reach the more important issue of actual care.

**Where We are Now**

The high cost of healthcare has a number of contributing factors but for now I will focus on the new fees contributing to this issue. Federal healthcare legislation brought a number of new taxes and fees – just to name a few:

- Reinsurance Fund: \$63 per person for the Reinsurance Fund (charged to self insured employers and insurance carriers)
- PCORI Fee: \$2 (increasing in 2015) Patient Centered Outcomes Research Institute (charged to issuers and plan sponsors)
- HIT: The Health Insurance Tax (HIT) is estimated to total \$8 billion in 2014 and \$14.3 billion in 2018 and its repeal is the subject of bipartisan legislation in Congress (charged to most insurance carriers)

Connecticut has its own set of healthcare fees and assessments, for example:

- State Exchange: Access Health (the state's exchange) assesses the entire small group and individual markets, regardless of whether they use the state's exchange, 1.35% of premium to fund its operations. To put that into perspective that could mean about \$39 per year for a single 31 year old and about \$275 per year for a family of 4.<sup>1</sup>
- Immunization Fund: Self-insured businesses and insurance carriers are also assessed a fee--now totaling \$30 million and up from \$9 million a short while ago--to pay for the state's immunization system.
- Health Benefit Mandates: Connecticut ranks in the top 5 states nationally with the highest number of health benefit mandates. A 2010 UConn Study on the impact of health benefit

<sup>1</sup> These numbers only represent estimates and are for example purposes only. Premiums change significantly based on the relevant rating factors.

mandates reported the financial impact accounts for about 22% of premium costs, citing this number may be overstated due to the difficulties in data collection.<sup>2</sup>

These fees are passed along to consumers in the form of higher premium payments. The larger self-insured employers must account for the new fees in their health plans and insurance carriers pass along the assessments to small employers in costlier health benefit plans. It is also important to point out that health benefit mandates only impact the fully insured market. So, these mandates specifically impact small employers that cannot afford to self-insure.

### **Now Another Fee**

Taking this landscape of escalating taxes and fees into account it's understandable that Connecticut's employers are very concerned about the impact of another fee on the cost of health insurance. Section 24 of SB 21 charges self-insured employers and insurance carriers over \$3 million to fund the State Innovation Model – known as SIM. The funding mechanism is the same as the vaccination fund referenced above. While the goals of SIM – increasing quality while decreasing cost – are good, the funding mechanism raises concerns.

Not only does the new SIM assessment add to the pile of ever increasing fees, it charges only a portion of the market for something that will benefit the entire state. What's more, the state already applied for \$40-50 million from the federal government to fund this initiative, and should find out this summer if its application is approved. The larger concern, however, is that the \$3 million price tag is just the beginning and that the SIM assessment will grow larger in future years.

Adding all of these fees together quickly increases the healthcare price tag. Increasing quality and decreasing cost is what we are all striving for but the seemingly endless fees are counterproductive. The problem here is that higher costs means less access.

While the state cannot modify the federal healthcare assessments, it can control fees such as for SIM. CBIA urges you to reject this new fee.

---

<sup>2</sup> See University of Connecticut, Center for Public Health and Health Policy, General Overview: Connecticut Mandated Health Insurance Benefits Review 2010, available here [http://www.ct.gov/cid/lib/cid/2010\\_CT\\_Mandated\\_Health\\_Insurance\\_Benefits\\_Reviews\\_-\\_General\\_Overview.pdf](http://www.ct.gov/cid/lib/cid/2010_CT_Mandated_Health_Insurance_Benefits_Reviews_-_General_Overview.pdf)