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**TESTIMONY OF SHELDON TOUBMAN BEFORE THE INSURANCE AND
REAL ESTATE COMMITTEE IN SUPPORT OF SB 11 (REQUIRING
ACTIVE PURCHASING BY THE CT HEALTH INSURANCE EXCHANGE)**

My name is Sheldon Toubman and I am an attorney with New Haven Legal Assistance Association. I represent low-income health consumers, both in the Medicaid program and under private insurance. I am here to testify in support of SB 11, which would require active purchasing by the Connecticut Health Insurance Exchange (Access Health-CT) with regard to qualified health plans selling insurance on the Exchange, in order to drive down costs.

It is important to understand that the whole theory behind the health insurance exchanges developed under the Affordable Care Act was to allow individuals to bargain to drive down insurance costs, the same way that large employers routinely do, by allowing them to group together through the exchange. As it is, small employers, lacking bargaining power, on average pay about 18% more than large companies, because they do not have sufficient clout to negotiate. In the absence of serious bargaining power, most low-income consumers will continue to be unable to afford insurance, even with the federal tax subsidies available under the Affordable Care Act, due to both high premiums and high out of pocket expenditure requirements.

Connecticut's exchange is expected to ultimately enroll from 250,000 to 300,000 people. So it certainly should have the bargaining power to bring down costs. But the board of the exchange has indicated it will not negotiate with the insurance carriers, depriving these individuals of this critical ability. It has agreed only to consider doing this for future years.

There are several reasons which have been invoked in the past to oppose active purchasing, none of which have merit.

The assertion that there is no need to engage in active purchasing because the exchange's website will readily sort for cost ignores the harsh reality that, as with the Medicare Part D experience, the existence of a website generally does not result in the most effective choice being selected, at least in the complex area of health insurance. In any event, in the absence of the exchange having any ability to bar particular carriers from participating on the exchange due to high cost, the carriers are under little pressure to make their offerings very competitive.

A contention has also been made that Connecticut is **prohibited** from negotiating with carriers on rates because, as a matter of federal law, this is exclusively the province of the Connecticut Insurance Department (which has historically approved almost any rate increase sought by the industry). This is nonsense. California's exchange, subject to the same federal law, is doing just that, invoking the state statutory authority "to

selectively contract for health care coverage offered through the Exchange," by "reserv[ing] the right to select or reject any Bidder", starting with the "Initial Open Enrollment Period." See January 11, 2013 emergency regulations of the California Health Benefit Exchange. All that is required is that, after negotiations by the Connecticut exchange are complete, the negotiated rates be forwarded to the CID for its review, and inevitable approval, as well.

For all of these reasons, I ask you to pass favorably on SB 11 requiring Connecticut's exchange to do what other states are already committed to doing, consistent with the intent behind the Affordable Care Act, and become an active purchaser on behalf of Connecticut's needy health care consumers.

Thank you for hearing my testimony today.