

**TESTIMONY
BEFORE THE
INSURANCE AND REAL ESTATE COMMITTEE
LEGISLATIVE OFFICE BUILDING
MARCH 18, 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 fewer than 50 people.

CBIA has significant concerns with Section 5 of SB 478 An Act Concerning the Duties of the Health Reinsurance Association and Requirements of the Connecticut Small Employer Reinsurance Pool, Updating the Preexisting Conditions Statute, And Concerning Small Employer Premium Rate Approval.

CBIA appreciates the effort to codify federal healthcare legislation – the Affordable Care Act or ACA – into state law however we have significant concerns with the impact of Section 5 on small businesses. Specifically, Section 5 of SB 478 will cause additional administrative burdens and confusion for small businesses by requiring to count their part time employees – known as “Full Time Equivalents or FTE” in 2015. This will cause what I refer to as a “ping pong” effect for small employers.

The ACA requires employers to count their FTE’s for purposes of determining if they will be penalized or receive a subsidy. However, this section will now require small employers in 2015 to count their FTE to determine whether they are in the small or large group market for health insurance. But, this bill also says that in 2016 the small group gets expanded to include employers with less than 100 employees. This is where the “ping pong” effect comes into play.

With this change some small employers will be pushed into the large group market in 2015 because they will be forced to count their FTEs and then – also required under this bill – be sent back to the small group market in 2016 when it is expanded from 50 to 100 employees. Not only will counting employees be an administrative challenge for small employers but this ping pong effect will cause even further confusion and frustration with the implementation of the ACA. Many larger employers are facing hurdles counting and monitoring the FTE population and they have software to manage the process.

The small and large employer market for insurance have significant differences in Connecticut – namely experience rating and composite rating. The impact of this bill in 2015 may mean swings in premiums for employers and their employees causing budget problems.

Therefore, CBIA respectfully requests that the state seek a one-year exemption to the definition change to small employer. Instead, the definition of small employer should change in 2016 when the market expands to less than 100 employees to decrease further disruption and confusion in the small employer market.

Additionally, CBIA offers our comments on Section 8 of this bill. CBIA supports allowing networks to be a rating factor to determine premium. As you know, cost of health insurance is a top concern for employers and their employees and allowing smaller networks at a smaller cost will increase choice in the marketplace. However, CBIA has some concerns with utilizing administrative fees as a rating factor because it is essential for the state maintain a level playing field for public and private exchanges, health plans and other benefit providers.

Thank you for the opportunity to offer CBIA's comments