

**TESTIMONY PRESENTED TO THE FINANCE, REVENUE AND BONDING  
COMMITTEE**

**March 22, 2016**

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Testimony Supporting Section 6 and 7 Raised Bill No. 5636

**AN ACT CONCERNING MUNICIPAL TAXING DISTRICTS, THE SALES TAX, THE  
APPRENTICESHIP TAX CREDIT, CERTAIN FEES AND THE TAX CREDIT REPORT**

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Senator Fonfara, Representative Berger and distinguished members of the Finance, Revenue and Bonding Committee, my name is Robert Dakers, and I am the Executive Financial Officer with the Office of Policy and Management. Thank you for the opportunity to offer testimony in regard to **Raised Bill Number 5636**, An Act Concerning Municipal Taxing Districts, the Sales Tax, the Apprenticeship Tax Credit, Certain Fees and the Credit Report.

Specifically, I am here to speak in **support of Sections 6 and 7 of this bill**, which sections involve fees for non-state public employers obtaining health insurance coverage under the State employee health plan. Other parts of the bill are addressed in separate testimony.

Public Act 15-93 allowed non-state public employers to enroll their employees in the State employee health plan at the same premium rates charged for state employees and retirees. Under the Act, the premiums and expenses of these non-state employers are to be maintained in a separate account. The purpose of Sections 6 and 7 of Raised Bill 5636 is to prevent a deficit arising in this account if the premiums charged to non-state employers are insufficient to cover their expenses.

The current law already provides for the return of funds to non-state public employers if they are overcharged; however, the law does not address undercharges that could lead to a deficit in the account. Sections 6 and 7 of the bill would resolve this issue by allowing the administrative fee already permitted in the statute to include an amount necessary to prevent or address a deficit in the account. Establishing appropriate reserves and protections against deficits is an important and prudent component of administering these types of programs.

In regard to mitigating adverse impacts on the State's rates and costs from allowing non-state employers into the State health plan, the current law allows a review by the Health Care Cost Containment Committee when a municipality or board of education seek to have some, but not all, of their employees (i.e. a partial group) enrolled in the State plan. This review, however, is limited to determining if the partial group would shift a significantly disproportional part of the non-state state public employer's own medical risk when compared to employee groups not included in the application to join the state employee plan. Those applying to obtain coverage for all their employees are not reviewed by the committee. What is not considered is if an applicant's claim costs are likely to be greater than the premium to be charged by the State.

Since the State must charge the same premium rate to all non-state public employers, financially, it is most likely that those now paying more than our premium rate will seek to join the state plan. If the reason for their higher premiums are higher claims experience, this could result in a deficit in the account established for this program. This bill addresses the potential for such an occurrence. Moreover, the proposed language indicates that the fee would only be in an amount deemed necessary to ensure a positive balance in the account.

We respectfully request that the committee Sections 6 and 7 of Raised Bill 5636, and I am happy to answer any questions you may have in this regard.