



# Senate

General Assembly

**File No. 331**

January Session, 2019

Senate Bill No. 1004

*Senate, April 2, 2019*

The Committee on Labor and Public Employees reported through SEN. KUSHNER of the 24th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

***AN ACT CONCERNING PUBLIC INSURANCE OPTIONS FOR SMALL BUSINESS EMPLOYEES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 5-259 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2019*):

3 (a) The Comptroller, with the approval of the Attorney General and  
4 of the Insurance Commissioner, shall arrange and procure a group  
5 hospitalization and medical and surgical insurance plan or plans for  
6 (1) state employees, (2) members of the General Assembly who elect  
7 coverage under such plan or plans, (3) participants in an alternate  
8 retirement program who meet the service requirements of section 5-  
9 162 or subsection (a) of section 5-166, (4) anyone receiving benefits  
10 under section 5-144 or from any state-sponsored retirement system,  
11 except the teachers' retirement system and the municipal employees  
12 retirement system, (5) judges of probate and Probate Court employees,  
13 (6) the surviving spouse, and any dependent children of a state police  
14 officer, a member of an organized local police department, a firefighter

15 or a constable who performs criminal law enforcement duties who dies  
16 before, on or after June 26, 2003, as the result of injuries received while  
17 acting within the scope of such officer's or firefighter's or constable's  
18 employment and not as the result of illness or natural causes, and  
19 whose surviving spouse and dependent children are not otherwise  
20 eligible for a group hospitalization and medical and surgical insurance  
21 plan. Coverage for a dependent child pursuant to this subdivision shall  
22 terminate no earlier than the policy anniversary date on or after  
23 whichever of the following occurs first, the date on which the child:  
24 Becomes covered under a group health plan through the dependent's  
25 own employment; or attains the age of twenty-six, (7) employees of the  
26 Capital Region Development Authority established by section 32-601,  
27 and (8) the surviving spouse and dependent children of any employee  
28 of a municipality who dies on or after October 1, 2000, as the result of  
29 injuries received while acting within the scope of such employee's  
30 employment and not as the result of illness or natural causes, and  
31 whose surviving spouse and dependent children are not otherwise  
32 eligible for a group hospitalization and medical and surgical insurance  
33 plan. For purposes of this subdivision, "employee" means any regular  
34 employee or elective officer receiving pay from a municipality,  
35 "municipality" means any town, city, borough, school district, taxing  
36 district, fire district, district department of health, probate district,  
37 housing authority, regional work force development board established  
38 under section 31-3k, flood commission or authority established by  
39 special act or regional council of governments. For purposes of  
40 subdivision (6) of this subsection, "firefighter" means any person who  
41 is regularly employed and paid by any municipality for the purpose of  
42 performing firefighting duties for a municipality on average of not less  
43 than thirty-five hours per week. The minimum benefits to be provided  
44 by such plan or plans shall be substantially equal in value to the  
45 benefits that each such employee or member of the General Assembly  
46 could secure in such plan or plans on an individual basis on the  
47 preceding first day of July. The state shall pay for each such employee  
48 and each member of the General Assembly covered by such plan or  
49 plans the portion of the premium charged for such member's or

50 employee's individual coverage and seventy per cent of the additional  
51 cost of the form of coverage and such amount shall be credited to the  
52 total premiums owed by such employee or member of the General  
53 Assembly for the form of such member's or employee's coverage under  
54 such plan or plans. On and after January 1, 1989, the state shall pay for  
55 anyone receiving benefits from any such state-sponsored retirement  
56 system one hundred per cent of the portion of the premium charged  
57 for such member's or employee's individual coverage and one  
58 hundred per cent of any additional cost for the form of coverage. The  
59 balance of any premiums payable by an individual employee or by a  
60 member of the General Assembly for the form of coverage shall be  
61 deducted from the payroll by the State Comptroller. The total  
62 premiums payable shall be remitted by the Comptroller to the  
63 insurance company or companies or nonprofit organization or  
64 organizations providing the coverage. The amount of the state's  
65 contribution per employee for a health maintenance organization  
66 option shall be equal, in terms of dollars and cents, to the largest  
67 amount of the contribution per employee paid for any other option  
68 that is available to all eligible state employees included in the health  
69 benefits plan, but shall not be required to exceed the amount of the  
70 health maintenance organization premium.

71 (b) The insurance coverage procured under subsection (a) of this  
72 section for active state employees, employees of the Connecticut  
73 Institute for Municipal Studies, anyone receiving benefits from any  
74 such state-sponsored retirement system and members of the General  
75 Assembly, who are over sixty-five years of age, may be modified to  
76 reflect benefits available to such employees or members pursuant to  
77 Social Security and medical benefits programs administered by the  
78 federal government, provided any payments required to secure such  
79 benefits administered by the federal government shall be paid by the  
80 Comptroller either directly to the employee or members or to the  
81 agency of the federal government authorized to collect such payments.

82 (c) On October 1, 1972, the Comptroller shall continue to afford  
83 payroll deduction services for employees participating in existing

84 authorized plans covering state employees until such time as the  
85 employee elects in writing to be covered by the plan authorized by  
86 subsection (a) of this section.

87 (d) Notwithstanding the provisions of subsection (a) of this section,  
88 the state shall pay for a member of any such state-sponsored  
89 retirement system, or a participant in an alternate retirement program  
90 who meets the service requirements of section 5-162 or subsection (a)  
91 of section 5-166, and who begins receiving benefits from such system  
92 or program on or after November 1, 1989, eighty per cent of the  
93 portion of the premium charged for his individual coverage and eighty  
94 per cent of any additional cost for his form of coverage. Upon the  
95 death of any such member, any surviving spouse of such member who  
96 begins receiving benefits from such system shall be eligible for  
97 coverage under this section and the state shall pay for any such spouse  
98 eighty per cent of the portion of the premium charged for his  
99 individual coverage and eighty per cent of any additional cost for his  
100 form of coverage.

101 (e) Notwithstanding the provisions of subsection (a) of this section,  
102 vending stand operators eligible for membership in the state  
103 employees retirement system pursuant to section 5-175a shall be  
104 eligible for coverage under the group hospitalization and medical and  
105 surgical insurance plans procured under this section, provided the cost  
106 for such operators' insurance coverage shall be paid by the Department  
107 of Rehabilitation Services from vending machine income pursuant to  
108 section 10-303.

109 (f) The Comptroller, with the approval of the Attorney General and  
110 of the Insurance Commissioner, shall arrange and procure a group  
111 hospitalization and medical and surgical insurance plan or plans for  
112 any person who adopts a child from the state foster care system, any  
113 person who has been a foster parent for the Department of Children  
114 and Families for six months or more, and any dependent of such  
115 adoptive parent or foster parent who elects coverage under such plan  
116 or plans. The Comptroller may also arrange for inclusion of such

117 person and any such dependent in an existing group hospitalization  
118 and medical and surgical insurance plan offered by the state. Any  
119 adoptive parent or foster parent and any dependent who elects  
120 coverage shall pay one hundred per cent of the premium charged for  
121 such coverage directly to the insurer, provided such adoptive parent or  
122 foster parent and all such dependents shall be included in such group  
123 hospitalization and medical and surgical insurance plan. A person and  
124 his dependents electing coverage pursuant to this subsection shall be  
125 eligible for such coverage until no longer an adoptive parent or a foster  
126 parent. An adoptive parent shall be eligible for such coverage until the  
127 coverage anniversary date on or after whichever of the following  
128 occurs first, the date on which the child: Becomes covered under a  
129 group health plan through the dependent's own employment; or  
130 attains the age of twenty-six. As used in this section "dependent"  
131 means a spouse or natural or adopted child if such child is wholly or  
132 partially dependent for support upon the adoptive parent or foster  
133 parent.

134 (g) Notwithstanding the provisions of subsection (a) of this section,  
135 the Probate Court Administration Fund established in accordance with  
136 section 45a-82, shall pay for each probate judge and each probate court  
137 employee not more than one hundred per cent of the portion of the  
138 premium charged for the judge's or employee's individual coverage  
139 and not more than fifty per cent of any additional cost for the judge's  
140 or employee's form of coverage. The remainder of the premium for  
141 such coverage shall be paid by the probate judge or probate court  
142 employee to the State Treasurer. Payment shall be credited by the State  
143 Treasurer to the fund established by section 45a-82. The total  
144 premiums payable shall be remitted by the Probate Court  
145 Administrator directly to the insurance company or companies or  
146 nonprofit organization or organizations providing the coverage. The  
147 Probate Court Administrator shall issue regulations governing group  
148 hospitalization and medical and surgical insurance pursuant to  
149 subsection (b) of section 45a-77.

150 (h) For the purpose of subsection (g) of this section, "probate judge"

151 or "judge" means a duly elected probate judge who works in such  
152 judge's capacity as a probate judge at least twenty hours per week, on  
153 average, on a quarterly basis and certifies to that fact on forms  
154 provided by and filed with the Probate Court Administrator, on or  
155 before the fifteenth day of April, July, October and January, for the  
156 preceding calendar quarter; and "probate court employee" or  
157 "employee" means a person employed by a probate court for at least  
158 twenty hours per week.

159 (i) (1) The Comptroller may provide for coverage of employees of  
160 municipalities, nonprofit corporations, community action agencies  
161 [and small employers] and individuals eligible for a health coverage  
162 tax credit, retired members or members of an association for personal  
163 care assistants under the plan or plans procured under subsection (a)  
164 of this section, provided: [(1)] (A) Participation by each municipality,  
165 nonprofit corporation, community action agency, [small employer,]  
166 eligible individual, retired member or association for personal care  
167 assistants shall be on a voluntary basis; [(2)] (B) where an employee  
168 organization represents employees of a municipality, nonprofit  
169 corporation [,] or community action agency, [or small employer,]  
170 participation in a plan or plans to be procured under subsection (a) of  
171 this section shall be by mutual agreement of the municipality,  
172 nonprofit corporation [,] or community action agency [or small  
173 employer] and the employee organization only and neither party may  
174 submit the issue of participation to binding arbitration except by  
175 mutual agreement if such binding arbitration is available; [(3)] (C) no  
176 group of employees shall be refused entry into the plan by reason of  
177 past or future health care costs or claim experience; [(4)] (D) rates paid  
178 by the state for its employees under subsection (a) of this section are  
179 not adversely affected by this [subsection] subdivision; [(5)] (E)  
180 administrative costs to the plan or plans provided under this  
181 [subsection] subdivision shall not be paid by the state; [(6)] (F)  
182 participation in the plan or plans in an amount determined by the state  
183 shall be for the duration of the period of the plan or plans, or for such  
184 other period as mutually agreed by the municipality, nonprofit  
185 corporation, community action agency, [small employer,] retired

186 member or association for personal care assistants and the  
187 Comptroller; and [(7)] (G) nothing in this section or section 12-202a,  
188 38a-551 or 38a-556 shall be construed as requiring a participating  
189 insurer or health care center to issue individual policies to individuals  
190 eligible for a health coverage tax credit. The coverage provided under  
191 this [section] subdivision may be referred to as the "Municipal  
192 Employee Health Insurance Plan". The Comptroller may arrange and  
193 procure for the employees and eligible individuals under this  
194 [subsection] subdivision health benefit plans that vary from the plan or  
195 plans procured under subsection (a) of this section. Notwithstanding  
196 any provision of part V of chapter 700c, the coverage provided under  
197 this [subsection] subdivision may be offered on either a fully  
198 underwritten or risk-pooled basis at the discretion of the Comptroller.  
199 For the purposes of this [subsection] subdivision, [(A)] (i)  
200 "municipality" means any town, city, borough, school district, taxing  
201 district, fire district, district department of health, probate district,  
202 housing authority, regional work force development board established  
203 under section 31-3k, regional emergency telecommunications center,  
204 tourism district established under section 32-302, flood commission or  
205 authority established by special act, regional council of governments,  
206 transit district formed under chapter 103a, or the Children's Center  
207 established by number 571 of the public acts of 1969; [(B)] (ii)  
208 "nonprofit corporation" means [(i)] (I) a nonprofit corporation  
209 organized under 26 USC 501 that is not a small employer and has a  
210 contract with the state or receives a portion of its funding from a  
211 municipality, the state or the federal government, or [(ii)] (II) an  
212 organization that is not a small employer and is tax exempt pursuant  
213 to 26 USC 501(c)(5); [(C)] (iii) "community action agency" means a  
214 community action agency, as defined in section 17b-885; [(D)] (iv)  
215 "small employer" means a small employer, as defined in section 38a-  
216 564; [(E)] (v) "eligible individuals" or "individuals eligible for a health  
217 coverage tax credit" means individuals who are eligible for the credit  
218 for health insurance costs under Section 35 of the Internal Revenue  
219 Code of 1986, or any subsequent corresponding internal revenue code  
220 of the United States, as from time to time amended, in accordance with

221 the Pension Benefit Guaranty Corporation; [(F)] (vi) "association for  
222 personal care assistants" means an organization composed of personal  
223 care attendants who are employed by recipients of service [(i)] (I)  
224 under the home-care program for the elderly under section 17b-342,  
225 [(ii)] (II) under the personal care assistance program under section 17b-  
226 605a, [(iii)] (III) in an independent living center pursuant to sections  
227 17b-613 to 17b-615, inclusive, or [(iv)] (IV) under the program for  
228 individuals with acquired brain injury as described in section 17b-  
229 260a; and [(G)] (vii) "retired members" means individuals eligible for a  
230 retirement benefit from the Connecticut municipal employees'  
231 retirement system.

232 (2) Notwithstanding the provisions of subsection (a) of this section,  
233 the Comptroller shall provide for coverage of employees of small  
234 employers, and dependents of such employees, under the group  
235 hospitalization and medical and surgical insurance plan or plans  
236 procured under said subsection, provided: (A) Participation by each  
237 small employer and employee shall be on a voluntary basis; (B) where  
238 an employee organization represents employees of a small employer,  
239 participation in such plan or plans to be procured under said  
240 subsection shall be by mutual agreement of the small employer and  
241 the employee organization only and neither party may submit the  
242 issue of participation to binding arbitration except by mutual  
243 agreement if such binding arbitration is available; (C) no group of  
244 employees shall be refused entry into such plan or plans by reason of  
245 past or future health care costs or claim experience; (D) rates paid by  
246 the state for its employees under said subsection are not adversely  
247 affected by this subdivision; (E) administrative costs attributable to  
248 coverage provided pursuant to this subdivision shall not be paid by  
249 the state; and (F) participation in such plan or plans in an amount  
250 determined by the state shall be for the duration of the period of such  
251 plan or plans, or for such other period as mutually agreed by the small  
252 employer and the Comptroller. For the purposes of this subdivision,  
253 "small employer" means a small employer, as defined in section 38a-  
254 564, and "dependent" means a spouse or dependent child of an  
255 employee unless such child has attained the age of twenty-six or is



256 covered under a group health plan through such child's own  
257 employer.

258 (j) (1) Notwithstanding any provision of law to the contrary, the  
259 existing rights and obligations of state employee organizations and the  
260 state employer under current law and contract shall not be impaired  
261 by the provisions of this section. (2) Other conditions of entry for any  
262 group into the plan or plans procured under subsection (a) of this  
263 section shall be determined by the Comptroller upon the  
264 recommendation of a coalition committee established pursuant to  
265 subsection (f) of section 5-278, except for such conditions referenced in  
266 subsection (g) of this section. (3) Additional determinations by the  
267 Comptroller on (A) issues generated by any group's actual or  
268 contemplated participation in the plan or plans, (B) modifications to  
269 the terms and conditions of any group's continued participation, (C)  
270 related matters shall be made upon the recommendation of such  
271 committee. (4) Notwithstanding any provision of law to the contrary, a  
272 municipal employer and an employee organization may upon mutual  
273 agreement reopen a collective bargaining agreement for the exclusive  
274 purpose of negotiating on the participation by such municipal  
275 employer or employee organization in the plan or plans offered under  
276 the provisions of this section.

277 (k) The Comptroller shall submit annually to the General Assembly  
278 a review of the coverage of: [employees] (1) Employees of  
279 municipalities, nonprofit corporations, community action agencies [,  
280 small employers under subsection (i) of this section] and eligible  
281 individuals under subdivision (1) of subsection (i) of this section  
282 beginning February 1, 2004; and (2) employees of small employers  
283 under subdivision (2) of said subsection beginning on February 1,  
284 2020.

285 (l) (1) Effective July 1, 1996, any deputies or special deputies  
286 appointed pursuant to section 6-37 of the general statutes, revision of  
287 1958, revised to 1999, or section 6-43, shall be allowed to participate in  
288 the plan or plans procured by the Comptroller pursuant to subsection

289 (a) of this section. Such participation shall be voluntary and the  
290 participant shall pay the full cost of the coverage under such plan.

291 (2) Effective December 1, 2000, any state marshal shall be allowed to  
292 participate in the plan or plans procured by the Comptroller pursuant  
293 to subsection (a) of this section. Such participation shall be voluntary  
294 and the participant shall pay the full cost of the coverage under such  
295 plan.

296 (3) Effective December 1, 2000, any judicial marshal shall be allowed  
297 to participate in the plan or plans procured by the Comptroller  
298 pursuant to subsection (a) of this section. Such participation shall be  
299 voluntary and the participant shall pay the full cost of the coverage  
300 under such plan unless and until the judicial marshals participate in  
301 the plan or plans procured by the Comptroller under this section  
302 through collective bargaining negotiations pursuant to subsection (f) of  
303 section 5-278.

304 (m) (1) Notwithstanding any provision of the general statutes, the  
305 Comptroller shall begin procedures to convert the group  
306 hospitalization and medical and surgical insurance plans set forth in  
307 subsection (a) of this section, including any prescription drug plan  
308 offered in connection with or in addition to such insurance plans, to  
309 self-insured plans, except that any dental plan offered in connection  
310 with or in addition to such self-insured plans may be fully insured.

311 (2) The Comptroller may enter into contracts with third-party  
312 administrators to provide administrative services only for the self-  
313 insured plans set forth in subdivision (1) of this subsection. Any such  
314 third-party administrator shall be required under such contract to  
315 charge such third-party administrator's lowest available rate for such  
316 services.

317 (3) (A) (i) The Comptroller shall offer nonstate public employers the  
318 option to purchase prescription drugs for their employees, employees'  
319 dependents and retirees under the purchasing authority of the state  
320 pursuant to section 1 of public act 09-206, subject to the provisions of

321 subparagraph (E) of this subdivision.

322 (ii) For purposes of this subdivision, "nonstate public employer"  
323 means (I) a municipality or other political subdivision of the state,  
324 including a board of education, quasi-public agency or public library,  
325 as defined in section 11-24a, or (II) the Teachers' Retirement Board.

326 (B) The Comptroller shall establish procedures to determine (i) the  
327 eligibility requirements for, (ii) the enrollment procedures for, (iii) the  
328 duration of, (iv) requirements regarding payment for, and (v) the  
329 procedures for withdrawal from and termination of, the purchasing of  
330 prescription drugs for nonstate public employers under subparagraph  
331 (A) of this subdivision.

332 (C) The Comptroller may offer to nonstate public employers that  
333 choose to purchase prescription drugs pursuant to subparagraph (A)  
334 of this subdivision the option to purchase stop loss coverage from an  
335 insurer at a rate negotiated by the Comptroller.

336 (D) Two or more nonstate public employers may join together for  
337 the purpose of purchasing prescription drugs for their employees,  
338 employees' dependents and retirees. Such arrangement shall not  
339 constitute a multiple employer welfare arrangement, as defined in  
340 Section 3 of the Employee Retirement Income Security Act of 1974, as  
341 amended from time to time.

342 (E) (i) The Comptroller shall offer nonstate public employers the  
343 option to purchase prescription drugs through the plan set forth in the  
344 State Employees' Bargaining Agent Coalition's collective bargaining  
345 agreement with the state only if the Health Care Cost Containment  
346 Committee, established in accordance with the ratified agreement  
347 between the state and said coalition pursuant to subsection (f) of  
348 section 5-278, has indicated in writing to the Comptroller that allowing  
349 such nonstate public employers such option is consistent with said  
350 coalition's collective bargaining agreement.

351 (ii) Such writing shall not be required if the Comptroller establishes

352 a separate prescription drugs purchasing plan for nonstate public  
 353 employers.

354 (iii) Nonstate public employers that purchase prescription drugs  
 355 pursuant to this subdivision shall pay the full cost of their own claims  
 356 and prescription drugs.

357 Sec. 2. Subsection (b) of section 38a-556a of the general statutes is  
 358 repealed and the following is substituted in lieu thereof (*Effective*  
 359 *October 1, 2019*):

360 (b) Said association shall, in consultation with the Insurance  
 361 Commissioner and the Healthcare Advocate, develop, within available  
 362 appropriations, a web site, telephone number or other method to serve  
 363 as a clearinghouse for information about individual and small  
 364 employer health insurance policies and health care plans that are  
 365 available to consumers in this state, including, but not limited to, the  
 366 HUSKY Health program, the Municipal Employee Health Insurance  
 367 Plan set forth in subdivision (1) of subsection (i) of section 5-259, as  
 368 amended by this act, and any individual or small employer health  
 369 insurance policies or health care plans an insurer, health care center or  
 370 other entity chooses to list with the Connecticut Clearinghouse.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2019</i>	5-259
Sec. 2	<i>October 1, 2019</i>	38a-556a(b)

**LAB**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 20 \$</b>	<b>FY 21 \$</b>
Comptroller; State Comptroller - Fringe Benefits <sup>1</sup>	GF - Potential Cost	At least \$200,000	None
State Comptroller - Fringe Benefits (State Employee and Retiree Health Program)	GF&TF - See Below	See Below	See Below
University of Connecticut	Operating Funds - See Below	See Below	See Below
Dept. of Revenue Services	GF-Potential Revenue Loss	See Below	See Below

Note: GF=General Fund; GF&TF=General Fund & Transportation Fund

**Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 20 \$</b>	<b>FY 21 \$</b>
Various Municipalities Participating in the Partnership Plan	See Below	See Below	See Below

**Explanation**

The bill will result in the fiscal impact described below to the Office of the State Comptroller (OSC), the state employee and retiree health plan, the University of Connecticut, municipalities participating in the Partnership Plan, and the Department of Revenue Services. The fiscal impact is related to the following: (1) additional staff and administrative expenses for OSC, (2) impact to the existing pool's claims experience, (3) impact to Partnership Plan premiums, (4)

<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.19% of payroll in FY 20 and FY 21.

potential costs associated with Employee Retirement Income Security Act (ERISA), and (5) potential General Fund revenue loss from the Insurance Premium tax.

#### *Additional Staff and Administrative Costs*

The Comptroller may require two additional Retirement and Benefits Officers to support certain small employers who join the state employee and retiree health plan. The total annualized salary and fringe benefit costs associated with two additional positions is approximately \$178,500.<sup>2</sup> In addition, there may be administrative costs related to actuarial services to evaluate a small employer's risk, member support and outreach for participating entities prior to administrative fees being realized by OSC. The cost to the state for any additional staff or expenses is anticipated to be offset after administrative fees are received by OSC in accordance with the bill, whereby "administrative costs shall not be paid by the state".<sup>3</sup>

#### *Impact to the Existing Pool and the Partnership Plan*

The state employee and retiree health plan (excluding the Medicare Advantage Plan for employees and dependents age 65 and older) is a self-insured plan. The bill does not provide OSC the discretion to vary the plan design or provide a fully insured product to small employers. Currently, state employees, retirees, unionized graduate assistants at the University of Connecticut, municipalities participating in the Partnership Plan, and all eligible dependents are pooled into a single risk pool. Premiums for the state employee and retiree health plan and the Partnership Plan are calculated based on the risk profile of the single pool. To the extent small employers are pooled with the existing risk pool, there could be an impact to the state, participating municipalities and the University of Connecticut. For reference there are approximately 128,000 small employers with 100 or less employees

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<sup>2</sup> Based on entry level annual salary for a retirement benefits officer of approximately \$63,200.

in the state employing a total of approximately 500,000 employees.<sup>4</sup> The bill requires the rates paid by state for state employees' not be adversely impacted, however as a self-insured pool, the state bears the risk for costs incurred in excess of plan premiums. The state does not current have stop-loss insurance. The impact to the state and Partnership Plan will depend on the risk profile of participating entities and how their risk is pooled.

There is no impact to the Municipal Employee Health Insurance Plan (MEHIP) from removing small employers from coverage. MEHIP is a fully-insured health insurance plan wherein each participating employer is underwritten independently and the total cost of the program is support by plan premiums.

#### *Employee Retirement Income Security Act (ERISA) Impact*

As a self-insured governmental plan, the state plan is exempt from US Department of Labor ERISA regulations. To the extent small employers are pooled with the state employee plan the state plan could lose its ERISA exemption.<sup>5</sup> Under ERISA, the state would have to comply with fiduciary standards, reporting and disclosure requirements. Failure to comply with ERISA could subject the state to financial penalties and "gives participants the right to sue for benefits and breaches of fiduciary duty".<sup>6</sup>

#### *Loss of Revenue*

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<sup>4</sup> Source: (1) Connecticut Small Business Profile, 2018. US Small Business Administration Office of the Actuary. (2) US Census (census.gov).

<sup>5</sup>The issue was pursued by the Malloy Administration in 2012 with regards to the Partnership Plan allowing small employers to pool with the state plan. <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/advisory-opinions/2012-01a>

<sup>6</sup> Source: US Department of Labor: <https://www.dol.gov/general/topic/health-plans/erisa>

Pursuant to CGS Sec. 12-202 carriers pay an Insurance Premiums Tax to the state of 1.5% on all net direct premiums underwritten. To the extent eligible small employers shift participation from fully-insured commercial health plans or no longer purchase stop-loss coverage for their self-insured plan into the plan offered through OSC, the state will experience a General Fund revenue loss. The state collected \$209 million from the Insurance Premiums Tax in FY 18.<sup>7</sup>

### ***The Out Years***

The annualized ongoing fiscal impact identified will continue into the future based on (1) the impact to claims experience for the state and the Partnership Plan from participating entities, (2) administrative costs associated with ERISA, and (3) the impact to Insurance Premium Tax revenue.

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<sup>7</sup> Source: Dept. of Revenue Services Annual Report (2018).



**OLR Bill Analysis****SB 1004*****AN ACT CONCERNING PUBLIC INSURANCE OPTIONS FOR SMALL BUSINESS EMPLOYEES.*****SUMMARY**

This bill requires the comptroller, under the state employee health insurance law, to procure and provide one or more health insurance plans for employees of small employers. Current law allows, but does not require, the comptroller to do this. Under the bill, a small employer has fewer than 100 employees, but excludes sole proprietors.

The bill requires the small employers' plan to meet the same criteria the comptroller must use for MEHIP (Municipal Employee Health Insurance Plan). This includes conditions that, among other things, (1) address how employers join the plan and (2) segregate its financial impact from the state employee plan that the comptroller also administers (see BACKGROUND).

It also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2019

**PLAN CONDITIONS**

The bill requires the comptroller to establish the plan under the following conditions:

1. participation by each small employer and employee must be on a voluntary basis;
2. if an employee organization (i.e., union) represents the employees, participation in the plan must be by mutual agreement of the small employer and the employee organization and neither party may submit the issue of participation to

- binding arbitration, except by mutual agreement;
3. no group of employees will be refused entry into the plan because of past or future health care costs or claim experience;
  4. rates paid by the state for its employees' health plan must not be adversely affected by the new plan;
  5. the state must not pay the plan's administrative costs; and
  6. participation in the plan, in an amount determined by the state, must be for the duration of the period of the plan, or for another period as mutually agreed to by the small employer and the comptroller.

### **ANNUAL REVIEW**

Under current law, the comptroller must annually submit to the legislature (but no specific committee is named) a review of the MEHIP coverage of municipalities, nonprofits, community action agencies, small employers, and eligible individuals. The bill removes small employers from this group and instead requires a separate annual review of their coverage beginning February 1, 2020.

### **BACKGROUND**

#### ***MEHIP***

By law, the comptroller may arrange coverage under MEHIP for various groups including (1) employees of municipalities, nonprofit corporations, and community action agencies; (2) people eligible for a health coverage tax credit under federal law; (3) members of a personal care assistants association; and (4) people eligible for a retirement benefit from the Connecticut municipal employees' retirement system.

#### ***Related Bills***

HB 7238, which was reported favorably by the Labor Committee, requires the comptroller to establish procedures for MEHIP.

sSB 134, reported out favorably by the Insurance and Real Estate

Committee, requires the comptroller to establish a public option health insurance program and contains an option for small business insurance.

HB 7267, reported out favorably by the Insurance and Real Estate Committee, is identical to sSB 134.

HB 7360, reported out favorably by the Planning and Development Committee, expands the types of health care plans that the comptroller must offer to nonstate public employers to include most group hospitalization, medical, pharmacy, or surgical insurance plans the comptroller develops.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable

Yea 11 Nay 3 (03/14/2019)