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sSB-134
AN ACT CONCERNING PUBLIC OPTIONS FOR HEALTH CARE IN CONNECTICUT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 $	FY 21 $
Comptroller; State Comptroller - Fringe Benefits[1]	GF - Cost	At least $1.5 million	At least $750,000
State Comptroller - Fringe Benefits (State Employee and Retiree Health Plan)	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; TF= Transportation Fund

Municipal Impact:

Municipalities	Effect	FY 20 $	FY 21 $
Various Municipalities Participating in the Partnership Plan	See Below	See Below	See Below

Explanation

The bill will result in a cost to the Office of the State Comptroller (OSC) of approximately $1.5 million in FY 20 and up to $750,000 FY 21, as described below. In addition, the bill will result in the fiscal impact described below to the state employee and retiree health plan, the University of Connecticut, nonstate public employers participating in

[1]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.

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4/2/19

the Partnership Plan[2], and the Department of Revenue Services. The fiscal impact is related to the following: (1) establishing the ConnectHealth Plan for individuals in accordance with the bill, (2) allowing certain small employers to pool with the state employee health plan for coverage, (4) potential costs associated with the Employee Retirement Income Security Act (ERISA), and (5) potential General Fund revenue loss from the Insurance Premium tax.

Sections 1 – 5 will result in a cost to OSC of at least $1.5 million in FY 20 and $750,000 in FY 21 to establish the ConnectHealth Plan for individuals in consultation with the advisory council (section 3) for coverage beginning January 1, 2021 (FY 21). The cost is associated with consulting services, including but not limited to actuarial and legal services to assist with the plan design requirements, insurance industry impact study, state financed subsidy proposal, and application for a 1332 waiver as required by the bill.[3,4] The bill requires OSC to contract with a third party administrator (TPA)to administer the plan, therefore the cost to OSC after the initial design and implementation period is anticipated to be less depending on how the plan administration is structured.[5]

Lastly, the bill does not specify the amount of state financed subsidies that will be provided to plan participants. The cost to the state will depend on the amount of the subsidies and eligible population determined by OSC and the advisory committee.

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[2] Partnership Plan refers to Partnership 2.0 operated by the Office of the State Comptroller.

[3] The cost is based on accessing consulting costs incurred for the state employee and retiree health plan, waiver estimates for the Department of Social Services and proposals similar in scope.

[4] State Innovation Waivers were made available beginning January 1, 2017 under the Affordable Care Act. State Innovation Waivers are approved for five-year periods, and can be renewed. Waivers must not increase the Federal deficit. https://www.cms.gov/cciio/programs-and-initiatives/state-innovation-waivers/section_1332_state_innovation_waivers-.html#Section%201332%20State%20Application%20Waiver%20Applications

[5] OSC currently utilizes a TPA for the Partnership Plan and the state employee plan in addition to state agency staff.

Sections 6 – 10 may result in a cost to OSC for two additional Retirement and Benefit Officers to support certain small employers joining the state employee and retiree health plan or other plan provided by OSC, including the Partnership Plan starting in FY 20.[6] The total annualized salary and fringe benefit costs associated with two additional positions is approximately $178,500.[7] 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 which may be offset by administrative fees OSC is allowed to charge starting in FY 21.

In addition, allowing certain small employers to pool with the state plan, as required by the bill, may result in a fiscal impact to the state employee and retiree health plan, the University of Connecticut related to unionized graduate assistants and certain nonstate public employers including municipalities who participate in the Partnership Plan. The impact will depend on the risk of the pooled participants as reflected in the premiums/premium equivalents established in accordance with the bill and current law.[8]

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. Currently, state employees, retirees, unionized graduate assistants at the University of Connecticut, nonstate public employers 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 and identical under current law. To the extent small employers are pooled with the existing risk pool, there could be an impact to the state, participating

[6] Participation in the state employee and retiree health plan is contingent on approval by the State Employees' Bargaining Agent Coalition (SEBAC).
[7] Based on entry level annual salary for a retirement benefits officer of approximately $63,200.
[8] The bill requires premiums to be the same as those for state employees but allows for specific adjustments including but not limited to geographic rating and demographics specific to the small employer.

nonstate public employers and the University of Connecticut. In addition, as a self-insured pool, the state currently bears the risk for costs incurred in excess of plan premiums. The state does not currently have stop-loss insurance. To the extent claims are in excess of the premiums established, there will be a cost to the state.

Lastly, section 8, will result in a fiscal impact to nonstate public employers including municipalities who currently participate in the Partnership Plan to the extent: (1) additional plans or plan designs are developed by OSC, excluding high deductible plans, and (2) geographical rating impacts the premiums nonstate public employers currently pay to OSC starting in FY 20. In addition, section 8, eliminates the requirement to refund any premiums in excess of claims, which will result in a reserve to the extent this occurs. While this provision would preclude any potential savings from accruing to participating entities for a single plan year, reserves will mitigate future premium increases necessary to cover plan losses.

Section 9 eliminates the state employee premium account. This account pays claims costs for nonstate public employers participating in the Partnership Plan out of plan premiums currently deposited into the account. It is unclear to what extent OSC is permitted to receive premiums paid by nonstate public employers, including small employers, without a designated account within the General Fund as is provided in current law. The bill requires OSC to establish an accounting procedure. The bill does not specify how the funds currently in the account will be accounted for.

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.[9] 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".[10]

Loss of Revenue

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 individuals and small employers shift into plans operated by OSC not subject to the tax, the state will experience a General Fund revenue loss. The state collected $209 million from the Insurance Premiums Tax in FY 18. [11]

The Out Years

The annualized ongoing fiscal impact identified will continue into the future based on: (1) the design and implementation of the ConnectHealth Plan including the amount of state financed subsidies, (2) impact to the state employee and retiree health plan and Partnership Plan risk pool, (3) administrative costs associated with ERISA, and (3) the impact to Insurance Premium Tax revenue.

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[9]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

[10] Source: US Department of Labor:
https://www.dol.gov/general/topic/health-plans/erisa

[11] Source: Dept. of Revenue Services Annual Report (2018).