

Labor and Public Employees Committee

JOINT FAVORABLE REPORT

Bill No.: SB-1004

AN ACT CONCERNING PUBLIC INSURANCE OPTIONS FOR SMALL

Title: BUSINESS EMPLOYEES.

Vote Date: 3/14/2019

Vote Action: Joint Favorable

PH Date: 3/12/2019

File No.:

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SPONSORS OF BILL:

Labor and Public Employees Committee

REASONS FOR BILL:

Connecticut has been a leader among states in the health care field, having established a model health care exchange, and in its embrace of the Medicaid reimbursement. Thousands of individuals and families now have coverage, but the challenges to the Affordable Care Act (ACA) threaten people's sense of security. The state offers non-state public employees small group insurance as part of its state plan. State law requires the State Comptroller to report on MEHIP (Municipal Employee Health Insurance Plan) rates of participation and coverage for municipalities, community action agencies, and eligible individuals. Small business employers with 50 employees or less and nonprofits would be afforded similar options for their employees.

RESPONSE FROM ADMINISTRATION/AGENCY:

Kevin Lembo, State Comptroller, State of Connecticut:

As the state's former healthcare advocate and now as State Comptroller, he is knowledgeable about individuals unable to pursue their dreams because they stay in a job due to health insurance considerations. CT small business employees number over 700,000—almost half of the state's workforce---and yet less than half of small businesses offer health insurance plans (a 26% decline since 2008), according to the Employee Benefit Research Institute (EBRI). And, many of those plans offer outrageous deductibles and premiums. It is counterintuitive for CT to try to grow its economy and yet affordable health insurance options are not available to attract workers. CT offers competitive plans with below-

average cost trends. The bill would permit the state to offer the advantages of its plan to small businesses and their families.

NATURE AND SOURCES OF SUPPORT:

John Brady, Executive Vice President, AFT Connecticut:

AFT represents over 30,000 public and private sector employees. While the Affordable Care Act (ACA) has provided an option for hundreds of CT small businesses to offer coverage for their employees, thousands of residents still go without due to high costs of their plans or high deductibles. By giving small businesses the option of providing coverage for their employees, the pool of insured workers would grow, making the plan more affordable. Some residents receiving coverage through Access Health CT may realize a benefit as well. Many CT residents pay over \$6,000 per year in premiums, deductibles, copays, and co-insurance. Giving them a public option may provide them with better and enhanced benefits at lower costs.

Sal Luciano, President, Connecticut AFL-CIO:

Proud to have been one of the original architects of the Healthcare Partnership Program. The intention was to use the state's buying power to provide municipal employees with high-quality health coverage at affordable rates. While far too many municipalities have placed a premium on their personal relationships with their brokers over their employees, it is hoped that more municipalities will come around to the opportunities that would be offered to small businesses under the bill.

Frances Padilla, President, Universal Health Care Foundation of Connecticut:

Supportive of SB 1004 in the context of support for ***HB 7267, AAC Public Options for Health Care in Connecticut*** raised by the Insurance and Real Estate Committee this session. While inclusive of HB1004, HB7267 looks to extend the public option to individuals and calls for a study on furthering the vision of a universal public option plan. As an original supporter of Sustinet, we had hoped that uninsured individuals would be provided coverage for the first time. Unfortunately, most of the legislative components were never implemented. Then, under Healthy CT, a State Innovation Model grant (SIM) was funded. CT became known as a leader. So why are so many public option bills under consideration? The answers are in the high costs of premiums and deductibles; too few businesses have attractive options; the current system is fragmented which not permit controls over prescription drug pricing or hospital costs. Moreover, insurance choices are shrinking. According to David Gordon, a managing partner at Gordon and Jacobson Intellectual Property Law, "The options in CT for a small group are extremely limited...the skyrocketing costs of...health care have limited the ability of the firm to give raises to its employees...for four of the last five years, there have been no raises (while) increased revenues have been devoured by increased health care costs." Of major concern has been the effects of rapid hospital consolidations, as well monopoly prescription drug pricing.

Tom Swan, Executive Director, CT Citizen Action Group (CCAG):

Applauds the Committee raising SB 1004, as no one can argue the current state of the health care insurance market is working for small business employers and their employees. Hospital mergers are happening at an alarming rate, doctor practices are similarly being purchased, out-of-pocket expenses for costs not covered under the plans continue to increase, and

doctor's offices, in effect, have become collection agencies. The health of our businesses, the health of CT residents, as well as the overall economy would be improved by passing this bill.

Stephen Wanczyk-Karp, Executive Director, National Association of Social Workers/CT (NASW/CT):

Much is spoken about helping small business but very little is done. SB 1004 is an exception. Health care is a right. Yet, due to rising costs that price people out of the market, many residents of CT still cannot afford quality coverage at affordable rates. With the negotiation power of the State Comptroller, lower costs to employees of small businesses are possible. An irony is a number of members, who are health care providers, cannot afford high quality health themselves. Based on personal experience, NASW/CT was faced with trying to find good coverage within the CT small business market, and if not for the national office having "nationalized" all offices, we were left with few viable options.

NATURE AND SOURCES OF OPPOSITION:

Michelle Rakebrand, Asst. Counsel, CT Business and Industry Association (CBIA):

CBIA has expressed strong opposition to SB 1004 as it is believed that the bill would destabilize the health insurance market, and negatively impact CT's economy. The bill creates a government-run health insurance buy-in program that would change the risk pool with an influx of new members. If a disproportionate number of individuals have health care needs, premiums and costs would increase. The opposite is true if low-risk individuals were added to the network. Instituting a public option program will undermine one of CT's important economic drivers: the insurance industry, which employs 60,000 workers in Greater Hartford and Fairfield counties.

Julie Chubet, President, CT Benefit Brokers:

We agree that Connecticut's small businesses need relief from burdensome health care costs. Employees like choice and small businesses are challenged to find affordable, quality, comprehensive plans to offer. Unfortunately, CT has not yet addressed the overarching issues of what is driving up health care costs in CT. Premiums are not unaffordable because of administration costs. They are unaffordable because of the cost of care. Would stop loss change under the bill? How would that rate be determined? Will the plan be considered a "Cadillac Plan" and be subjected to a 40% excise tax? How is underwriting addressed in the bill? The bill needs to be actuarially-priced.

Connecticut Association of Health Plans:

Represents Aetna, Anthem, Cigna, ConnectiCare, Harvard Pilgrim, and United and expressed serious concerns about the various health care bills before the legislature. They share the goal of reducing costs. They believe in building upon current progress within the marketplace and not starting over. While they appreciate the growing frustration with growing health care costs, unintended consequences deriving from public option proposals far outweigh their benefits. Further, a significant cost shift, combined with a continually-shrinking commercial pool will destabilize the current commercial market, potentially leading to the

collapse of choice for employees and putting government-run programs in competition with those in the private sector.

National Federation of Independent Business (NFIB):

NFIB is committed to seeking legislative healthcare reforms that can help small business owners and their employees. Small businesses deserve health insurance that is affordable, flexible and predictable. While this may include possible innovative pooling arrangements, SB 1004 may result in market destabilization. Their members would oppose government-run health care, but going forward, they look forward to working with the committee on finding solutions to assist small business.

Reported by: Bryan Anderson

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