CHAIRPERSON: Representative Sean Scanlon

SENATORS: Anwar, Bizzaro, Cassano, Hartley, Kelly, Lesser

REPRESENTATIVES: Dathan, de La Cruz, Delnicki, Hughes, Nolan, O'Neill, Pavalock-D'Amato, Polletta, Riley, Turco, Vail

REP. SCANLON (98TH): We are going to begin the public hearing. I know folks have a busy schedule so I'd like to invite our State Comptroller up to testify first on the bill.

COMPTROLLER KEVIN LEMBO: Good morning. Here we all are [laughs]. Well, thank you and I appreciate this opportunity to appear before you today in support of House Bill 7267, AN ACT CONCERNING PUBLIC OPTIONS FOR HEALTHCARE IN Connecticut. I would also call your attention as you to know, to Senate 134, which is similar in its goals, but I'm going to focus my remarks today on the larger bill.

So, somewhere in Connecticut, there’s a worker with a big idea and sometimes the only reason that they don’t venture out of their cubicle and really grab hold of that big idea is because they have a fear of losing their health coverage and they start to price out what it might cost to be out on their own either as a small business of one, or as a small business of 2, 3, 5 or 50 and they realize this just is not doable so I am locked into my cubicle, so those good ideas essentially die there with them in that cubicle. We have such incredible intellect in
Connecticut. Our institutions of higher education are churning out so many wonderful smart people. We have the fundamentals of an economy that once it starts to click has so many symmetries and so many connections to each other that we can really see amazing things happen in Connecticut's economy. If we get this public option piece right, I am convinced that it will make a difference, not only for the existing small businesses in Connecticut, but it will make a difference in the decision-making process of those who may want to start a business or those who may be sitting across the state line and trying to figure out where they're going to land.

So I will just focus on a couple of things and not read the testimony. One is, there are a couple of pieces of this bill that I'd like to call your attention to. One is this idea of opening the state employee pool and making available a small business option. So this is a big deal as we all know. A lot of attention is being paid to this and the reason that is, is that we are already a plan of about 190,000 lives that I administer through my office.

Now we have proven over the last couple of years that some of the old saws that have been sold to us over the years about the way that you get cost in control is to push people further away from care, to narrow networks, to give patients more "skin in the game," have all failed miserable because when we demonstrate that that when you bring people closer, that you make sure they get the screenings that are necessary, that we make sure we pull them closer in chronic disease situations for the care that they need, it actually saves the system money and as a
result, our cost growth year over year has been in the low single digits and we're very proud of that. That is an enviable position and when I speak to my colleagues who run big health plans in some of our large big private companies, you know they'd give their eye teeth for a medical, you know a medical cost trend of 3, 4, 5 or 6 versus 15 or 20 so we've got it right at this point, and we also know that the small group market looks more like us as a plan than not. And so if we set rates appropriately, if we control costs appropriately, if we underwrite groups coming in appropriately, this can be a successful implantation. But in the short-term, in years one, two maybe even three, there's going to be a certain amount of pent-up demand. People who've gone without insurance for a long time and have not had care. They are going to come into systems with pent-up needs and maybe even diagnoses that will be identified.

We should fully expect that in years 1-2, you're going to see, you know a bump that's going to occur so the fundamental question for us as a state is this; who is best to bear the risk of that? We have a private insurance market where two primary insurers are working very hard to try to bring people in, but costs keep increasing exponentially year over year and people keep leaving that market. The small employers either can't afford to provide a plan any longer or just get so frustrated by the changes from year to year that they walk away. Twenty-five to 26 percent of the individuals who are insured in small group market have lost their coverage over the last 8, 9 or 10 years in Connecticut so the existing "market forces" and I feel like I've been doing this a lot, "market
"forces" are not working to the benefit of the employers and the people who they are trying to provide coverage for.

So also I'll say that we have a benefit and that is we are running a health plan on an administrative bump of about 2 percent so above the cost of claims, the only thing we add in there is another 2 percent to cover third part administrator, any internal activity of our office so when you think about all of that and compare it to 13 percent, 14 percent, 15 percent in the private market where they have to factor in broker costs and profit margins and administrative fees, we don't have any of that so by definition, we have an opportunity to come in with a better priced product and one that doesn't go back to those old, tired, high deductible, skin in the game arguments, again, that don't work.

The second part of it is different and it's important that we point out the differences and that is what do we do about the individual market. If a lot of individuals who also need coverage, some who fall in that 400 to 600 percent of the federal poverty level who don't get a subsidy on the exchange and can't afford to get something outside of the exchange, what about them? Well, they're a different group. We don't know necessarily what their, what they look like from a claim's perspective versus us but we do know that they have a need so the bill empowers the comptroller to negotiate based on our existing purchasing power, based on the fundamentals of our plan, a fully ensured product that would be available to any individual in the state that wants to buy into it so we would negotiate the rates on their behalf and they wouldn't have to go one at a time, two at a
time, one family, three families to try to get a good deal when we're negotiating for such a large group of people.

And the third puts up this healthcare quality and affordability group that will work with my office to make sure that we're putting something out there that meets the need as has been defined. And finally, I'll say this. Representative Scanlon, thank you. Thank you to Senator Lesser and your colleagues for bringing this bill forward. Keep in mind that I don't process claims from my office. I don't administer networks from my office. I don't run a health plan. I sponsor a health plan. Commercial insurance companies in Connecticut bid for this business and they want it and that is the model that we're going to continue to follow so there are companies right now who may say, I'm not sure about this, I don't know that this is a good thing that should be going on. We have to point out the failings of the market and figure out what we're going to do keeping in mind that one or more of them will be the beneficiary of a big old state contract to help run this on our behalf. We are not set up to be an insurance company. We are not running it so we're going to look for those partners to get it done. I appreciate your attention and I'm happy to take any questions you may have.

REP. SCANLON (98TH): Thank you, Comptroller Lembo. I want to throw the praise right back at you because you and your team have been a part of these discussions for many months and helped us craft what I think is a really great piece of legislation that can start us on a path to helping a lot of people in this state, millions of people in fact and I really believe that we have crafted something here that is
unique in this country. There's a lot of states that are talking about expanding Medicaid. They're talking about big government programs and big government solutions to what is a serious problem. We have gone a different route. We have, I think, in my belief come up with a unique public-private partnership to address a very large issue, and I just want to spend a few minutes with you before we open it up to other questions just talking about that.

You know one of the things I think immediately came out when we first talked about this was is this a big government program and I'm wondering if you could ask, answer that question. Is this a big government program?

COMPTROLLER KEVIN LEMBO: No because we again are partnering with the private sector to provide the service. We are not doing this ourselves and in some cases, these are lives that may move from an existing carrier, come into our program and ultimately, be served by a different or the same private carrier depending on the dynamics of that and then there are new lives that have either fallen out of the market because of plans, as their small business level has gone away or other small businesses see a price point and a plan that they find attractive and want to give it a shot that would come into the market that are not being served now so I would argue that the net/net of all of this could be a significant positive development in not only the number of people who are insured, but in business portfolios.

REP. SCANLON (98TH): And so on the small business side, we know right now, and you talked about this
earlier today that because of medical loss ratio, which is this concept that you know what percentage are you spending towards, you know this, but for everybody else in the room, what percentage is being spent towards premiums and what percent is spent on administrative costs. We are running a more efficient ratio than in the private sector so I believe it's about 10 percent automatically that folks would be benefiting, but do you think that the benefits would be beyond 10 percent for a small business that would sign up for care through this new program?

COMPTROLLER KEVIN LEMBO: I do. So it's important, and you correctly define what a medical loss ratio is, but I think it's important for us to think for a second about what that actually means. A medical loss ratio is the definition that the insurer gives to the actual care that they provide. That is a loss in the financing of insurance. Our medical loss ratio is something like 95 percent for the reasons that I've already described, where the small group market probably is 20, 15 to 20 points lower than that so there would be -- it benefits just in that difference alone. Hopefully the goal would be to bring premiums down but also we would be bringing first dollar coverage, value based insurance design to help enhance the program. Our prescription pricing sort of model that we are finalizing right now and again, nationally people are looking at what Connecticut is doing because we negotiated this tremendous, or we are in the process of negotiating this tremendous pharma contract that's going to drive prices down further. None of these groups would get access to this and part of the reason why is not because the insurers are bad guys; they're
not. You know they're doing a good business and they're doing good work for a number of their folks. I have no desire to demonize anybody but when you think about who we're talking about and these individuals, our plan has the benefit of many, many, many years of the same people in the plan. When you're in the commercial market, you get somebody for a year or two, maybe three, they spin off and they go to a different company so if I as a company invest in their wellness, the next company may see the benefit of that. We have folks that come and stay with us and we're able to actually create a healthcare system, not just a healthcare financing system or an insurance system.

REP. SCANLON (98TH): Thank you. And then sort of finally, and then we'll open it up to other folks, on the individual side, this bill just authorizes you and your office in consultation with an advisory committee that we are going to be made up of industry professionals, healthcare stakeholders from both sides of the aisle, to come back to us a year from now with a plan. Do you believe that there will be enough time for you to come back to us with that plan in one year?

COMPTROLLER KEVIN LEMBO: We will get it done and if we need additional time we will come back to you and request that, but I think to move the goal posts coming right out of the gate -- let's see, we've got the benefit of the partnership plan for non-state public employers, for towns and cities and boards of ed that we're going to lean on hard as we construct the small business piece. That may free up some opportunity for us to focus early on the small group side.
REP. SCANLON (98TH): I think I should’ve asked that question a different way. I think a lot of times when we pass legislation here, we are rushed in the sense that we are a part-time legislature. We're up again the deadline of June and we sometimes cobble things together that we wish more time. I guess I should’ve phrased it in a way to say to your knowledge the fact that you have a year to put this together rather than us trying to cobble this together before our JF deadline two weeks from now [laughs] is, is, is a good thing for the State of Connecticut and a deliberate approach to a big public policy challenge?

COMPTROLLER KEVIN LEMBO: Should I just say yes, that? [laughs]

REP. SCANLON (98TH): Leading question, but yes, say what you want.

COMPTROLLER KEVIN LEMBO: Yes that and please if, you know take your action, have your debate, raise this on the floor, debate the issue, give us an opportunity to come together at a big table and debate the fine points of it and change it if we need to in some ways so that we can get going. The sooner we know we're actually doing this thing, the more likely that we'll be able to get a product in the market.

REP. SCANLON (98TH): Great. Thank you, again, Comptroller Lembo for all your work on this and for your partnership. Any questions from the Committee?

SENATOR BIZZARRO (6TH): Thank you, Mr. Chairman. Thank you, Comptroller Lembo for being today for
your testimony. Just a couple of quick questions. Are there any limitations on eligibility criteria?

COMPTROLLER KEVIN LEMBO: In this first phase, in small groups, Senator?

SENATOR BIZZARRO (6TH): In both phases.

COMPTROLLER KEVIN LEMBO: In the first phase, it would be small businesses, I believe of 1 to 50, and then the second phase would be individuals.

SENATOR BIZZARRO (6TH): Any individual?

COMPTROLLER KEVIN LEMBO: Correct.

SENATOR BIZZARRO (6TH): Okay. And then do you have, I know it's early, do you have any preliminary projections in terms of enrollment for each of those two phases?

COMPTROLLER KEVIN LEMBO: It's a little hard at this point, Senator, to know who would pick a plan and come on in. There will be a lot of looking and a lot of comparing I am sure. The end on this, the target group, is a couple of hundred thousand lives, but if we're able to bring 100,000 lives into the plan in the first 18 months, I would call it a major success

SENATOR BIZZARRO (6TH): Okay, and last question for you. You mentioned during your testimony that right now, you're able to operate this with essentially a very small margin on top of what's being paid so I think you mentioned 2 percent.

COMPTROLLER KEVIN LEMBO: Correct.
SENATOR BIZZARRO (6TH): Do you have any indication whether that percentage may change pro rata depending on the universe of applicants?

COMPTROLLER KEVIN LEMBO: We're probably talking about a point or two would be my guess when I consider all the other work that would need to go. Running a big plan, like for a third party administrator to run a big plan like ours where we send them an eligibility file and they just print cards and run the plan, it's very different than charging them with the hand-to-hand work of talking to small businesses and getting them enrolled one at a time if they would like to enter the plan.

SENATOR BIZZARRO (6TH): Thank you very much.

COMPTROLLER KEVIN LEMBO: And Senator, may I say congratulations.

SENATOR BIZZARRO (6TH): Thank you.

REP. SCANLON (98TH): Any further questions? Representative Turco.

REP. TURCO (27TH): Thank you, Mr. Chairman. Very good to see you, Comptroller Lembo. How are you today?

COMPTROLLER KEVIN LEMBO: Good to see you, Representative Turco.

REP. TURCO (27TH): Just a couple followup questions and I apologize because I was a little late walking in to your testimony if you covered this. Can you tell me if you believe that these plans as part of the public option would offer more benefits, more affordable than what's offered under Access Health CT and if you do believe that, why?
COMPTROLLER KEVIN LEMBO: So I think we are, we would want to set up multiple options for small employers to choose from and so in that way, that would be a benefit. I think the exchange would acknowledge that they’ve struggled on the small business side from an enrollment perspective both in the offerings and in the price points. We've had multiple conversations with them over the years about potentially taking the program run out of my office called MEHIP and bringing it into the shop portion of the exchange as a way to sort of get those numbers up, but it's been a bit frustrating because they haven’t been able to do what I'll call a crosswalk and that is look at the benefit design that these folks presently have and create a benefit design on the other side that looks like it so that we can sort of move them over so in that way, we were not able to get that done so I think we will offer more options and I think there will be greater affordability and we will stay away at all costs from high deductible plans and so for those reasons, they do have a better option.

REP. TURCO (27TH): And just one more question if that's okay, Mr. Chairman, and I'm very glad to hear that these plans will be designed with the intent of not offering any high deductibles. I think that is very important, something that I hear my constituents constantly struggling with. They have insurance, but the barrier to finally getting to be able to use the insurance is so large with thousands of dollars in between, they practically feel like they don’t have insurance so thank you for that.

To follow up, so it's going to be a new offering to small businesses, having this public option. At that point, because we're just signing up
businesses, is it because you have the backing or you have the full buying power of all of the state employees and everybody else as part of that, that you're able to negotiate these better plans and rates for the small businesses? Is that sort of how that will happen, because of the buying power you have with the state?

COMPTROLLER KEVIN LEMBO: Generally that is true, though I would put an asterisk on that and that is there is a limitation to the value of large numbers. So just because you hit you know half a million lives, a million lives in your plan, at some point, it comes down to what is the cost of healthcare, right? What is the cost of the hospital reimbursement, a doctor's visit? We've spent all our time and attention lately talking about other, right, so talking about admin, profit, you know brokers' fees, all of that. What we're talking about below that is the cost of care and so we're going to have to have hard conversations about what is the cost of care, are we paying for quality and how do we incentivize members, whether they're state employees or small business employees, to seek out through tools that will be available for them, providers, hospitals, facilities that provide high quality care at mid to lower cost reimbursement. Most of us believe if it's more expensive, it must be better which is consumer behavior that's false and flawed, but that's the way the system has gravitated. Sometimes the best provider is not the most expensive provider.

REP. TURCO (27TH): Thank you very much for your answer.

COMPTROLLER KEVIN LEMBO: Thank you, Representative.
REP. SCANLON (98TH): Any further questions for the Comptroller? Seeing none, thank you so much. Next up is Senator Christine Cohen.

SENATOR CHRISTINE COHEN (12TH): Good morning or good afternoon [laughs]. I did submit testimony. I'm not sure that you have received it yet, so I apologize for the late submission. I just wanted to come here today to testify in support of SB 134, AN ACT OPENING THE STATE EMPLOYEE HEALTH PLAN TO SMALL BUSINESS EMPLOYEES.

Our country has obviously been experiencing the rising cost of health care year over year and Connecticut has certainly not been immune to this phenomenon, so recognizing that we are at our breaking point here, I believe it is time for lawmakers to intervene on behalf of their constituents and small business owners. As a small business owner myself, I have been all too familiar with the exponential rate hikes and lack of coverage that became the rule, rather than the exception, somewhere along the way.

There was a time when I provided 100 percent health insurance coverage for my full-time employees. In 2015, with a substantial cost increase, we were forced to push a portion of that expense onto our employees. By 2016, the rates became too prohibitive for both ourselves and our employees, despite paying a share of the cost, and we discovered that individual plans, via the State exchange, were more cost effective. What we’ve come to recognize over the past few years is that these increases are simply unsustainable. As we paid more and more for coverage, our benefits realized diminished. It became less likely that we would
meet our deductible and our out of pocket expenses were cumbersome.

Just to give you a sense of the figures that I am referring to, I did in my testimony include my personal rates from 2016 all the way up to what was quoted to us for 2019. I am obviously fortunate enough to be on the State plan this year, but to give you an idea, in 2016 I was paying just over $1000 dollars in a monthly premium with a deductible of $8000 dollars. By 2018, just two short years later, my monthly premium was $1583.59 and my deductible was $15,700 dollars so if you do the math there, before any benefit was truly realized on the plan, I would’ve had to spend $35,000, so our rates increased by over 50 percent in two years and our deductible nearly doubled.

Sadly, this story is not an unusual one and we’re beginning to see a negative correlation between the costs of health insurance and visits to the doctor. This is obviously a problem that really could head us towards a national health crisis. This middle income population, for which no subsidies exist, are paying skyrocketing prices and often ignoring health concerns for fear the out-of-pocket expense caused by the high deductible would just be too much to bear. Conversely, they are foregoing health insurance coverage all together and opting to take the risk that uninsured expenses will still be lower than the cost of coverage and medical expenses combined. Either way, the people of Connecticut are losing.

When it became impossible for me to continue to provide coverage for my employees, I certainly compensated with other benefits to retain those
employees, but many businesses continue to do so. With price fluctuations, this encumbrance to the bottom line has not only become very difficult to predict and manage, it’s a terrific financial burden. So we have a tremendous opportunity to allow businesses to purchase health insurance in collaboration with the state employee plan and by doing so, we not only positively impact profit and loss statements, but we prevent a health crisis.

So SB 134 would one, help small companies lower operating costs, so less expensive fringe benefits, two, improve the quality of health care small businesses in Connecticut offer their employees, three create incentive for businesses to operate in State of Connecticut, four, make Connecticut small businesses more attractive and competitive to workers, and five, decrease the state’s healthcare costs for its own employees by increasing the buying power of its health plan.

I also in my testimony that I submitted respectfully request that the Committee consider the language in its definition of small business. I noticed that it refers to section 38a-564 and excludes sole proprietorship in that definition so I would just respectfully request that we use similar language to HB 7267 and would love to see that rather than 50 and under employees, that we include business sizes of 100 employees and less.

I just want to thank the Committee for taking the time to hear my testimony and consider this bill. I think it is really going to move Connecticut forward.

REP. SCANLON (98TH): Through you, Senator and I feel weird talking to you in this way because of how
close of friends we are and we live on the same street, but alas [laughter]

SENATOR CHRISTINE COHEN (12TH): We do.

REP. SCANLON (98TH): We have to adhere to these formalities so I would just thank you for your work on this. Obviously it was something that I heard you talk about constantly as we campaigned last year and when you introduced the bill, it certainly became part of the overall bill that we're debating here today and I want to thank you for lending that to us and for being a part of that conversation. Talk a little bit about the pressures you feel, but talk a little bit more about the pressures you feel and the sort of understanding you know of from your colleagues as small business owners on the shoreline about how difficult this really is for them. I mean how much do you and your husband, who I know also runs a business with you, worry about the cost of healthcare.

SENATOR CHRISTINE COHEN (12TH): It's a constant worry. I mean we know -- you know I spoke about this a little bit this morning too and I actually was meeting with a constituent before I came up today, a constituent, also a small business owner and this is becoming such and encumbrance to the bottom line. It's really taking over and it's becoming very difficult for these business owners to bring home their own paycheck because they're trying to provide for their employees, and we want to do that. We want to be able to offer exceptional benefits to our employees. They become like members of the family. They're really valued team members, they're people that you just invest so much time and effort in because you want them to be successful,
you want your business to be successful, and you want to retain them as best you can. You do that by offering benefits and it's just becoming impossible to do so. It's a story I've heard over and over, long before I was ever campaigning for this position and certainly was a driving factor in what led me to run for State Senate and I certainly campaigned on it and I just hear more and more every day what a burden it's become. And I also, I think conversely like I said in my testimony, I think we're seeing this phenomenon of folks really being priced out of the market altogether and deciding whether or not to take a risk and forego health insurance because they believe that their out-of-pocket expenses will be less and if they decide to go that route, it's certainly a big risk that they're taking.

Another decision might be well we've got this high deductible and you know my, I'm feeling a little under the weather, but I'm going to ignore that headache that I've had you know nagging at me for the past month and God forbid something more serious is going on and not being detected early enough because people are just deciding to forego that doctor's visit. So I think it's really gotten to crisis mode here.

REP. SCANLON (98TH): Thank you, Senator Cohen. Any questions from the Committee? Seeing none, thank you.

SENATOR CHRISTINE COHEN (12TH): Thank you so much.

REP. SCANLON (98TH): Next up is a former member of this Committee, our friend, Representative Susan Johnson.
REP. SUSAN JOHNSON (49TH): Good afternoon, Chairman Scanlon and members of the Committee. I am so pleased to be back here with you all and especially on such a good note, talking about House Bill 7267, AN ACT CONCERNING PUBLIC OPTIONS FOR HEALTHCARE IN CONNECTICUT. This is truly an exciting day to have this Committee review this and look at some of the things that we can do to make sure that business stays the State of Connecticut and also make sure that people have affordable access to healthcare insurance. One of the things that I did when I first ran and was sworn in, in 2009 is we worked on the sustenance program and we had thought that that was going to be the beginning of having a public option and on the heels of that, the Affordable Care Act was passed into law and there was a great deal of hope in being able to reduce the cost of insurance with the Affordable Care Act and in fact, there still is a lot of reduction when you get to 400 percent of poverty though, that's about $90,000 dollars a year for a family of four, what happens is there's a huge cliff and the cost for individuals goes way up or families, and also the cost for businesses is incurred just recently also is very, very high because they don't get those kinds of subsidies. So here we are now.

The Affordable Care Act has made lots of changes in the Medicaid Program because it utilizes the Medicaid Program and the its ability to subsidize people up to 400 percent of poverty and that is a positive thing. Some of the other things that had been in the original Affordable Care Act have been taken out of it over the last several years for numerous reasons, mostly court challenges on definitions of what a tax is versus some type of
premium, but we won't go into those weeds [laughs]
but I'm very happy to see this. And I think that a
couple of things that I would like to just bring out
and that is with respect to the idea of a
partnership. Medicare, as you know, is a
partnership between the Federal Government and
private insurance companies. The Medicare Program
actually administers the programs for the Federal
Government.

Medicare has insurance companies who have to bid and
they do the initial administration. Some of the
problems with that have to do with the fact that
initial determinations, a lot of the times are
denied so because they try to, when they go out to
bid, they try to make sure that the situation in
that circumstance, they're going to show the lowest
possible cost to the administration of the program
and the other thing is, the trade secrets, something
that we, why we went to the state administered
programs under the Medicaid Program was because the
trade secrets of the Medicaid Managed Care Program.
They did not share any of the data with us and we
were unable to make predictions in terms of how we
were going to provide care to the Medicaid
population so those are a couple of things I would
give warning. And there's some litigation that the
state did back about 10, 15 years ago, those two
offices where the insurance industry finally
relented and said okay, you can have the data, but
by that time we were creating our own program which
I have to say we've had huge success. We are saving
about a billion dollars a year in Medicaid cost
because we created person centered medical homes and
person centered medical neighborhoods and those
kinds of processes that help us keep costs down, but
also increase access to healthcare in those income ranges.

The other thing that has been mentioned numerous times is the fact that the, the, the pharmaceutical industry has taken over and added huge costs to the cost of healthcare and there might be a way, I don't know, but this is just a suggestion to check in with the Medicaid Department of Social Services and see whether or not there's buying power that could be combined with the State insurance people so that is something that they do have access to more reductions. If you're buying the pharmaceuticals in groups, you can do that and as mentioned earlier here today, the idea of having a larger pool of people to negotiate with your hospitals for your inpatient hospital care or no matter what it is that you're providing, it is going to be a huge plus. So I think that if we do combine, as was suggested with Senate Bill 134, the idea of putting the State employee plan with the small businesses, that might expand the pool. You're going to have a healthy group of people that should be a cost deduction.

The other thing that I wanted to mention is the idea of your Task Force Senate Bill 982, establishing a task force to study insurance, and I would hope that as a chairman of regulations review, that we would have a chance to look at that as well because I think some of the language that we run into difficulty with in insurance has to do with the broadness of the language and sometimes it's hard to know whether or not we're really in compliance or if it's really going to help the people in Connecticut, so I think it would be good to have somebody from Regulations Review take a look at how the Legislative Commissioner's office does that and
also, I think that it might be a good idea to study the idea of committees of cognizance being included, part of the protocol when we take a look at a regulation. For example, again, the Department of Social Services is multifaceted. It has a huge range of things that it covers.

If we were to be able to put ourselves in a situation where they would have, they would have to just notify at least the Commissioner and maybe the sub-agency groups that actually work in those areas like Medicaid when a bill comes through and is getting ready for regulations to see whether or not the regulation has any impact on those particular agencies cause I don’t, I feel that that is kind of a loop that is not being closed right now and I'd like to just have them at least notified so they don’t have to look every time we publish a regulation that they may not be able to think about. So for those reasons, I just want to say thank you so much for the great work you're doing here. It's great to see these new innovations coming through, and whatever I can do to help, I'll be glad to be there for you so thank you so much.

REP. SCANLON (98TH): Thank you, Representative. We do miss you on the Committee and that's the kind of insight that you used to bring to us and I'm glad you joined us today to share with us. Any questions from the Committee? Seeing none, thank you, Representative.

REP. SUSAN JOHNSON (49TH): Thank you so much.

REP. SCANLON (98TH): I don’t see Senator Looney and I don’t see Ted Doolittle so we will move onto the public on 7267. Jon Kingsdale is the first to testify.
JON KINGSDALE: Good afternoon, and thank you for the opportunity to appear before the Committee. I have been asked by the Connecticut Association of Health Plans to comment on the proposal in HB 7267, specifically section 7, authorizing the State Comptroller to establish and market a group health insurance purchasing pool for small employers.

Before commenting, if you would, allow me to introduce myself. I've worked in health insurance and related fields for some four decades at several non-profit health plans, as a health policy consultant including work for the State of Connecticut and Access Health CT, in academia, I currently teach at Boston University and at Brown Universities and started and ran the Massachusetts Health Connector, the Massachusetts version of Access Health Connecticut for four years.

I have a deep, professional commitment to expanding coverage for the uninsured and containing health care costs. In fact, I first got involved in this field in the mid 1970's when policy and politicians were running around Washington D.C. frankly like chickens with their heads cut off screaming, oh my God it's 7 percent of Gross Domestic Product, healthcare cost escalation is unsustainable. Clearly, they were wrong. I commend the Comptroller and this Committee for trying to tackle the relentless inflation in U.S. healthcare spending and premiums that Senator Cohen just described for you.

I've watched a lot of stuff like this over 40 years fail to be effective and unfortunately, my reading of Section 7 of this bill, authorizing the Comptroller to enroll small employers in the state employees’ plan or a new plan for small employers,
offers relative little prospect for containing costs and not a little for disruption to the existing market. So, why do I doubt its potential to contain costs?

First, because aggregating purchasing power for small employers is duplicative of existing efforts. Recently revised federal regulations encourage private entities to develop such pooled purchasing arrangements, known as Association Health Plans, including insured or self-insured arrangements for all small employers in a state or sub-state regions of a state. In fact, there are three or four dozen such activities that have started around the country since those regs were published last summer. There are some of those in Connecticut already.

Second, and more to the point, such initiatives pre-date the Affordable Care Act and have proven ineffectual in healthcare cost containment. So to understand why, and I'm going to repeat actually a little bit of what the Comptroller described, it's worth considering how such savings might be achieved. So by law, at least 80 percent of the premiums collected for small businesses, from small businesses must be spent on employee claims costs. That's to paraphrase Willie Sutton, that's where the money is in that bank and grouping thousands of employees together from many small firms does not change that 80 percent, their claims costs. In fact, the carriers for the state employees use their regular fee schedules and by law, I understand must include all hospitals in Connecticut in the network so there's very little opportunity to save on the 80 percent.
I will digress a moment and just mention that we talk about duplication of services and utilization, etc, that's really not the healthcare cost problem in Connecticut or in the country. We don't swallow more pills than the rest of the world. We see the doctor less frequently. We actually have half the hospital days on average of our peer countries. We just spend 2-3 times more on every unit of service. Price is the problem. That's where Medicare saves over the commercial private sector.

REP. SCANLON (98TH): Mr. Kingsdale, if you could just, that bell means that your time is up so if you just want to summarize, that would be, that would be great.

JON KINGSDALE: Sure, so let me skip to the bottom line here. Could the Comptroller’s pool save on the other 20 percent of premiums that are not claims' cost or less than 20 percent? Possibly, by avoiding state premium taxes, for example, but that's kind of robbing Peter to pay Paul. There are other administrative services pool, they depend on marketing and efficiency administration. In my extensive work with state agencies including Access Health, I have not seen that kind of competitive vantage in the public sector in marketing. So finally, I would suggest that policy-makers in every state and at the federal level as well have been promising rate relief to small employers for decades now, I've yet to see it happen. The focus has to be, if you want to be effective, on the prices paid by health plans and individuals to providers, drug companies, hospitals, physicians. That I don't see in this legislation. I'd be happy to respond to questions if there are any.
REP. SCANLON (98TH): Thank you, Mr. Kingsdale for being here today. I guess the question that I have is how to square what you just said versus what Senator Cohen just said, right, which is the story that is not unique to me, it's the story I hear almost every day from talking to my constituents, especially small business owners, that it's not just working. And I certainly can understand that you may have some concerns with the proposal before us today, but I didn’t necessarily hear you at the beginning of your commentary when you sort of were offering you know your doubts about our ability to save costs there, what is the solution to your perspective then? How do I go back to, if it's not the plan that I'm putting forward today, how do I go back to my constituents who are saying the same thing that Senator Cohen is? The answer can't be well, we have association health plans and we're working on it and there's some things in motion. They need real relief and they need it right now so I'm wondering what you, what you have to say about that.

JON KINGSDALE: Great question and I cited Senator Cohen's testimony because it's so representative of the problem that you face as legislators dealing with constituents who are complaining, justifiably, about skyrocketing costs. As I tried to suggest in my remarks, the answer is, I believe in affecting the prices paid by health plans or whoever paying the bill to the providers of our medical and related services. We used to have, I mean I'll go out on a limb and just speculate here, this is my personal opinion, we used to have in many states, including Massachusetts where I'm from, and it's sort of a loose form in Connecticut, and I'm going back
decades, hospital rate setting commissions that set the rates for all payer. We actually now have technologically a whole generation leap from the 1970's and 1980's in terms of rate-setting technology.

You could set hospital rates with one number. What is the Medicare payment rate? It's an index number and you could say in Connecticut, we're going to set it somewhere between the hospital's existing rates, which might be 150, it might be 200 percent of Medicare, and the Medicare rate, we could ratchet it down over time cause there's lots. Cost containment means laying people off, it means constraining salaries, it means constraining resources for people who save lives for a living. I sympathize with you. It is not easy. It does not mean moving people around from one insurance pool to another. It means actually intervening in an ineffective market. As hospitals have merged, they have gained greater and greater leverage. It used to be, when I was in the business in the 80's and 90's, we could go back to hospitals and say you're going to get 1 percent next year, that's it. They now tell health plans what they're going to get because they’ve merged to the point where they have significant market leverage. I'm sure if you live anywhere near New Haven, you're totally familiar with what I'm talking about.

REP. SCANLON (98TH): But I think, Mr. Kingsdale, that's the goal of what we're trying to do here is that if we use the state's leverage and power when it comes to telling them what they will pay, in the form of him designing this contract as he does when he goes out to bid for the state employee plan, we would in effect be doing what you're suggested we do
so I'm just wondering why you would still have opposition to that.

JON KINGSDALE: So with all due respect, and I don't live and study Connecticut intensely, my understanding is that the carriers who serve the state employees pay the same high, I'm going to call it high, fee schedule for those employees and beneficiaries as they pay for any of their other numbers and that in fact, they're prohibited from excluding hospitals which is about the only leverage they have to negotiate down rates, and so it would be relying on the same flawed "market system" that has failed to constrain payment rates to date.

REP. SCANLON (98TH): Well I will turn it over so other questions can be asked by the Committee.

Representative De La Cruz.

REP. DE LA CRUZ (41ST): Thank you, Mr. Chairman. You mentioned that you're from Massachusetts.

JON KINGSDALE: I am, I apologize that.

REP. DE LA CRUZ (41ST): No, that's great. [laughter] We love people from Massachusetts, we do. We especially love what they've done over the last 15 years in incorporating what was the original, the Romney Care they called it. So would you call that a failure because this is kind of something we're looking to do on this end down here in Connecticut which seems, and maybe we're reading it wrong, we're not from Massachusetts, but the numbers that we're seeing are giving us every indication that businesses love that, that they feel like it's a benefit to them and we see the actual economy grow when folks have insurance and we're essentially
trying to do the same thing here. Is it, would you call that a failure up there?

JON KINGSDALE: No, I would not call it a failure, but yes, it is constituted of many different components. There is one component that there is some similarity I believe to what the legislation under review today is trying to do which is the group insurance commission, the state employees benefit purchaser has allowed certain municipalities to come in and that has had some short-term savings for those municipalities. It's also actually, to use a poor choice of words, polluted the insurance pool a little bit and they're rethinking whether that really works, but the main things that Massachusetts has done are to expand availability of insurance and so Massachusetts actually subsidizes above and beyond the tax credits and the Affordable Care Act, subsidizes the cost of insurance for low income uninsured, but to the point of cost containment, it's really the health policy commission that is paving the way, and that's a very interesting set of interventions. It's the bully pulpit around every year measuring the increasing costs and short of shaking government's finger at payers and providers if they exceed it. It's intervening in mergers and famously, they paid an important role in blocking the merger of the largest health plan system, I'm sorry, hospital system in greater Boston to swoop up the last sort of geography it didn’t control in greater Boston. So they played that kind of role which has been, at least in the short term, in the last five years, relative successful.

Now, that is saying Massachusetts does move from the most expensive state in the most expensive country
in the world to the second most expensive state. So that's progress, it's not exactly ideal, but it's in the right direction.

REP. DE LA CRUZ (41ST): The one other thing I would talk about your testimony, to me what strikes is I run a sheet metal company and the hospital has to operate in the healthcare industry, you know I know they always sound the bad guys, the hospital, they charge $20,000 dollars for an x-ray. Well I always relate it back to my industry. You know I do work for Electric Boat and if every fourth part that they asked and ordered, whether it was a $500,000 dollar or a $2 dollar part, I had to give them free, which is actually the formula that the healthcare industry goes by now, the fact that we're trying to insure everybody and bring everybody into the pool, sometimes I'm surprised that it's not more than $20,000 dollars for an x-ray to be quite frank because if there's a person who walks into our hospital in America and needs a $1 million dollar procedure or healthcare, they get that so the 65 or 75 percent of Americans that have insurance are paying for that. So it's not like any other, any other industry.

You know Home Depot can't sell sheet rock to me for $50 dollars a sheet and then to Representative Scanlon for $5 dollars. It's not -- so I get why the cost would be, I know I would be more if Rep Scanlon got to go in and everything he got to do for his house was free, yet us three here had to pay full bowl, they would just divide the cost so I'm not quite sure how not covering everyone -- cause eventually you have to get there right? I think and that's what I think Massachusetts has proven with their formula.
Again, we pay $13 dollars an hour for insurance now as a union sheet metal worker. This past year we found out we have to pay more for our insurance, for our prescriptions, and we have a $4000-dollar deductible so all my friends out there that are union, they're saying we can't reach down and help those people who don't have insurance, we have to look out for us, reckoning day is here. They told us in the insurance this year that we're going to have to, we took $1.60 out of our pay and added it to our, to the health fund and the union told us this year to hold onto our hats because that $4000-dollar deductible should be $8000 dollars by maybe this time next year and it's going to go up more. When we got rid of the individual mandate, it affected us greatly in our union. There were folks that make $100,000 dollars a year and make a conscious choice not to have insurance, but the reality is they still use the hospital so that's why I'm so, I'm such a big proponent. I thank the Chair for bringing this out because this, it sounds like a bold move and it sounds really expensive to everybody in this room because we keep saying how do we pay for it? How do we not?

JON KINGSDALE: I totally agree with you. I'm very proud to have helped get Massachusetts' rate of uninsured down below 3 percent, but you're right, Representative De La Cruz, this market doesn't work like other markets. That's why it needs some rather extraordinary interventions, more I think than just group purchasing.

REP. DE LA CRUZ (41ST): Okay and I would agree with that and hopefully, we can model after Massachusetts. I'm done with my questions, thank you.
REP. SCANLON (98TH): Thank you, Representative. Representative O'Neill.

REP. O'NEILL (69TH): I think I understand what you're saying which is we are looking at the ability to get some additional bargaining power as a kind of panacea to the cost of healthcare insurance and what it sounds to me like you're saying is that's not nearly a big enough tool or a big enough lever to move things in the direction that you really want to go.

JON KINGSDALE: Well I'm saying two things if I might, uh, that plus the leverage is only on the 20 percent or less, not on the 80 percent that makes up the cost of small business insurance.

REP. O'NEILL (69TH): Okay and, and I don't know if you can answer this question, but since you seem to have a fair amount of knowledge of how things at least worked in Massachusetts, I mean first of all, is this proposal or approach that we're taking comparable? Is it similar to what was done in Massachusetts in the recent past or is it, I know you mentioned there were several other things, but as to the bargaining power component of the approach, is it comparable to what was done in Massachusetts?

JON KINGSDALE: No, not to my knowledge. Massachusetts has not tried to bundle small employers into a government-headed or supervised purchasing pool other than through you know giving them the choice, giving their employees the choice to the health connector. There are also some private association plans in Massachusetts that have nothing to do with sort of public sponsorships so I don't see a direct parallel.
REP. O'NEILL (69TH): Okay so the Massachusetts experience then isn’t really indicative of what we might expect to see. In other words, it might turn out to be similar, but this isn’t how Massachusetts approached the problem.

JON KINGSDALE: That's correct.

REP. O'NEILL (69TH): And your, and again, I know you're focused principally or your experience is based on Massachusetts, do you know of any other states that have done something comparable to, or perhaps big cities or counties, because Connecticut and many other parts of the country would just be a county for its size and population.

JON KINGSDALE: Yeah, it's not, it's a different size state, but the most well known nationally example of what I think you're talking about, thinking about here is CalPERS, the California system that actually groups the municipalities and state workers together, and they purchase on behalf of 2-3 million lives, and they’ve done some very interesting things. For example, they went out to bid for knee and hip replacements with a system called Reference Pricing and it's way to wonky and you don’t have the time to listen to it, but in essence, it says we're going to take the price variations that run from as little as $20,000 dollars for a major joint replacement, hospital, physician, anesthesiologist, surgeon, even SNF, etc, up to $130,000 dollars and we're going to draw a line and we're only going to allow our carrier to pay for those procedures up to I think it was about $35,000 or $39,000 dollars per procedure assuming that there's geographic access, and so they cut out
about half of the hospitals in the state from this very lucrative procedure.

Hospitals make a lot of money on orthopedics generally and two things happened. One, they saved money and two, the hospitals that charged more for it brought their prices down so there are ways to aggregate purchasing power, even your own state employees. They're just a lot more aggressive than administrative costs. They really focus on the other, in the case of your employees, I'm presuming it's more like 90 percent of the premium dollars go for claims. That's just a guess, but that's typical for large groups. Did you follow what I was saying or did I manage to lose you? Sorry.

REP. O'NEILL (69TH): Well to broaden it a little beyond and go back to what I think was your main point is, at some point you have to tell people this is all we're going to pay for and this is how you bring costs down.

JON KINGSDALE: In effect you have to tell the providers of the services there are limits and just like your peers in other countries, you have to find ways to live within those limits.

REP. O'NEILL (69TH): Right, okay, thanks. Now, and this hopefully won't waste too much time here, but we used in Connecticut and I don't know if you ever operated here or did any work in Connecticut because you look very familiar for some reason, I'm not quite sure why.

JON KINGSDALE: I have done and it's probably my resemblance to several movie stars. [laughter]
REP. O'NEILL (69TH): We used to have a process whereby back in the day when a CT scan or other sophisticated big expensive equipment like that started getting purchased by just about every hospital as opposed to just having one or two of them in the entire state, we had a process that went through our regulation review committee whereby you could but the equipment, but then we set the rates for how much you could charge for the use of the equipment. It affected your cost recovery on that piece of equipment and that was an indirect way of trying to control cost by basically, if we didn’t give you enough money, it would make no sense for you to buy that equipment because you couldn’t recover the money before you could basically lose the money by buying the piece of machinery.

So it wasn’t quite saying we're going to only have four CT scanners in the State of Connecticut and have you located in the four corners of the state or something, but it effectively was trying to more gently or less directly push people in a particular direction. Now we gave that up I would say 15 or 20 years ago, it's been a long time since I sat down and read through the application from the providers to get recovery of those costs, but it sounds like that's at least something like what you're suggesting we would need to do to try to get a handle on some of the costs.

JON KINGSDALE: Well I'd have to look at the details of it but in concept that's fine as far as it goes, that's only a very, very small part of the cost of medical care.

REP. O'NEILL (69TH): But it was a high profile thing and people would see these machines and they'd
say in Canada they only have two for the whole country, we've got 7 or 8 of them already and every hospital wants to have its own.

JON KINGSDALE: Well you know if I may, that's part of the issue, it's very high profile so you have a lot of powerful interests who save lives for a living. These are good people arguing that we need more resources as opposed to a more comprehensive solution, for example, and I'm not recommending this, I'm just giving you an example; payers shall not pay more than 150 percent of Medicare rates next year for inpatient and outpatient care. That would be a lot more, instead of getting one-half of 1 percent, that would hit a lot more. Obviously you would face a tremendous political backlash from those who run hospitals and supply hospitals and others.

REP. O'NEILL (69TH): Now one of the --

JON KINGSDALE: There's nothing popular about real cost containment.

REP. O'NEILL (69TH): Right, but there's another thing too and that is effectively, the hospitals and the doctors and the providers will say something like, you know we lose money on Medicaid, we really don't, we lose money on Medicare and the only way we stay in business aside from volume is to shift the costs to other people who are not constrained in the same way that those who are. If we constrain everybody else or a very large percentage of the remaining population, then if Medicare is underpaying and if Medicaid in a general sense, it definitely is underpaying for the actual cost of providing care, um, then there won't be enough money
to run the system. Now, what would you say to someone who makes that kind of a claim?

JON KINGSDALE: A couple of things. One is any draconian reduction in private commercial payments which do subsidize Medicaid at least, I would be opposed to because of the disruption and the real harm caused to facilities and personnel, etc. I think you would have to phase something in over a long time, but the more sort of broad-based, if you will economically theoretical essence of what those people are saying is we have so much leverage over the prices that get set on the commercial side that we can simply jack up those prices in order to make up for Husky underpaying us or for Medicare, what we consider underpaying us. Now, in fact, Medicare pays rates that are actually comparable to what any hospital in the rest of the economically advanced world outside of the United States would expect so whether you call that underpayment or not, it's underpayment relative to cost. It's not underpayment relative to peer institutions around the world.

Nevertheless, the real point, whether you call it underpayment or not is that we have a system now where the provider is able to jack up prices to make up for any perceived shortfall on the public payments. That's the same thing as saying the classic, the problem with cost control is you squeeze the balloon here and it pops up there and we've all heard that. That's exactly what they're talking about. So yeah, it's a problem. You'd have to phase it in. It would be politically very difficult to do. It is what I believe is necessary in order to slay the dragon.
REP. O'NEILL (69TH): Thank you very much.

REP. SCANLON (98TH): Any further questions from the Committee. I just, Mr. Kingsdale, before you go, I just pulled up the Hospital Association's testimony on this bill and I'm sure you'll have a chance to read that and I don't expect that you already did, but in the final paragraph of their first page, they talk about their worry about rates and they cite two different specific lines in the bill, and they say these two provisions are highly problematic if the rates to be established are not commercial rates. It seems like they get our intent and earlier, you and I had a conversation about this and I know you feel a different way, but I guess I'll ask you the point blank question which is that if we were to do what you suggested, which is to set certain rates that would lower the cost of healthcare perhaps, or lower the amount that they're getting reimbursed for that healthcare, would you support this bill?

JON KINSDALE: Well, the problem with doing that, while I think that's hitting the ball in the right direction, is the other piece of what I mentioned which is disruption. I mean you basically say to those same hospitals, okay jack up the rates even further on those who remain outside of this group purchasing pool because we all want to maintain our incomes. I don't know anybody who feels they're overpaid and would like to take a haircut so they have the power to do. I think we're just inviting them to do that for those who remain outside the pool and at the same time, fairly disrupting the existing insurers, employers, etc so you know, as I said, I think it's hitting the ball in the right direction. I just don't think they're playing in the right ball field.
REP. SCANLON (98TH): Yeah, and I understand that, but from my perspective, I think we're going to need disruption because I don't think people are being served by the current system adequately so --

JON KINGSDALE: I agree with that.

REP. SCANLON (98TH): But it's an ongoing process and we have to work together and I look forward to working with you and the Association on it so thank you.

JON KINGSDALE: Thank you very much.

REP. SCANLON (98TH): I see Senator Looney has joined us so I invite him to come testify.

SENATOR LOONEY (11TH): Thank you, Mr. Chairman. Please excuse my voice. I've come down with a heavy head cold this week and my whole head is clogged up so if anybody has any questions afterwards, please speak up, my ears are clogged. So good afternoon. Representative Scanlon, Senator Lesser whom I saw earlier, members of the Insurance and Real Estate Committee. I'm Martin Looney, Senator from the 11th District representing parts of New Haven, Hamden and North Haven, and I'm here to testify in support of House Bill 7268, AN ACT CONCERNING THE PUBLIC OPTION FOR HEALTHCARE IN CONNECTICUT, Senate Bill 134, AN ACT OPENING THE STATE EMPLOYEE HEALTH PLAN TO SMALL BUSINESS EMPLOYEES, and Senate Bill 984, AN ACT CONCERNING MINIMAL ESSENTIAL HEALTH COVERAGE, TAXATION OF HEALTH CARRIERS AND RESIDENTS OF THE STATE AND THE CONNECTICUT HEALTH INSURANCE EXCHANGE.

House Bill 7267 and Senate Bill 134 would of course expand the health insurance choices in our state by creating a public option. Although our state has a
relatively low rate for residents without insurance, there are still too many people for whom costs have become unaffordable and quality care for chronic conditions too expensive and difficult to find, and one of the problems we have is that there are many people who are technically insured in Connecticut, but do not really have comprehensive health insurance because of the fact that they have the only affordable policies which are those with such high deductibles that what it amounts to really is that they have catastrophic coverage only, but not really comprehensive coverage.

I've long been a supporter of an expanded government role in healthcare and health insurance and I'm pleased to be in the coalition supporting this idea along with the chairs of this Committee, the Speaker, Comptroller Kevin Lembo. It's clearly, I believe, an idea whose time has finally come. I believe it's unfortunate that a public option did not become a part of the Affordable Care Act in 2010 when it was enacted at the federal level and it is left to the states now I think to take action in that area.

First, House Bill 7267 would modify plans already offered by the Comptroller's office to non-state public employees, that is municipal employees so that these health insurance plans could be used by small businesses and non-profits. Senate Bill 134 is similar in this regard and House Bill 7267 would establish Connecticut Health to offer high quality, low cost health insurance on the individual market to those who do not have access to employer-sponsored coverage. Through the Comptroller's office, the state would contract with one or more private insurers to offer Connecticut Health to
individuals as a high quality affordable health plan.

The Comptroller would work with the Office of Health Strategy and be guided by an advisory committee comprised of various stakeholders. A public option is a moderate step. It does not replace the health insurance private market with either single-payer healthcare or socialized medicine in its entirety. It would merely allow a public option to compete in the existing market. In the US Congress, in addition to the Medicare for all proposals, Senator Brian Schatz of Hawaii and Representative Ben Ray Lujan of New Mexico have reintroduced the State Public Option Act, which they had introduced in the last Congress. This act would allow states to create a Medicaid buy-in program for all residents at any income level who are not currently eligible for the program. While the federal government could create a public option in a variety of ways, it doesn’t seem likely to do so. This likely federal inaction leaves room for states to be what Justice Brandeis called the laboratories of democracy.

There are a number of ways our state could approach the creation of a public option. This bill would leverage Connecticut's innovatively designed state employee plan which provides comprehensive coverage with enlightened plan design and significant bargaining power. The design for these plans would be able to set a benchmark reimbursement rate that would lower costs and improve health and quality of care. It would provide total transparency in terms of costs and charges. In addition, it's expected this plan would have a more favorable medical loss ratio. Under federal law, insurers must spend either 85 percent for large group policies or 80
percent for small group individual of premium dollars on medical care, and only 15 percent or 20 percent on administrative costs. It's my understanding that one goal of this public option proposal would be to spend more than 90 percent in premium dollars on actual medical care and less than 10 percent on administrative costs. More than 10 other states are currently investigating public options including some plans that would explore the concept of using Medicaid as a model for coverage. Nevada passed a Medicaid based public option in 2017 that was vetoed by the governor at that time. Massachusetts, New Mexico, and Wisconsin are among the states that are considering a public option. I believe a public option healthcare plan would be more efficient than the for-profit industry.

Federally, Medicare spends a much lower percentage on administrative costs than private insurers do, and creating a public option would allow for, would allow for our state to see whether the state government can provide better care at lower costs. Connecticut citizens should be able to decide whether to purchase their health coverage from the state or from a private healthcare carrier. I believe this is a choice our constituents should have.

Senate Bill 984 would among other things create an individual mandate and require that certain insurers offer insurance plans on the health insurance exchange. These provisions would help stabilize the health insurance market in Connecticut. Thank you for holding a hearing on this important topic. I look forward to working with this Committee, it's chairs who provided leadership on this issue as well
as the Speaker and the Comptroller in pushing this issue forward. Thank you, Mr. Chairman.

REP. SCANLON (98TH): Thank you, Senator Looney and thank you for your leadership. You, as we noted earlier today, did introduce your own bill to this Committee to do what we are trying to do today as the Speaker of the House and we really appreciate your joining us this morning and sharing your support for what is one of the most important bills we'll probably consider this session in the legislature.

SENATOR LOONEY (11TH): Thank you.

REP. SCANLON (98TH): Any questions from the Committee? Representative Pavalock-D'Amato.

REP. PAVALOCK-D'AMATO (77TH): Thank you for your testimony.

SENATOR LOONEY (11TH): Good morning.

REP. PAVALOCK-D'AMATO (77TH): Good morning or afternoon. I was wondering, you, did you say that the administrative costs were cheaper for -- can you repeat that statement?

SENATOR LOONEY (11TH): Yeah, I believe administrative costs would be, would be cheaper, are cheaper for Medicare than they are for the private plans.

REP. PAVALOCK-D'AMATO (77TH): Is there, can you get me some data on that or where you, what you base that off of?

SENATOR LOONEY (11TH): Yes, I can get some more information on that.
REP. PAVALOCK-D'AMATO (77TH): okay. Great, thank you very much.

SENATOR LOONEY (11TH): Yes, absolutely.

REP. SCANLON (98TH): And if I may, Representative, one of the things I can send you some data on right now is concerning the medical loss ratio and that's something that we discussed this morning, where the Comptroller testified that the current medical loss ratio at the state employee plan is about 10 percent less than the actual private market, and that's where some of the savings that we're projecting to come from are in this bill in addition to what Senator Looney is testifying to, which is that generally, the administrative costs on a government run plan are less than the private market and this is not a government run plan, it's a hybrid kind of thing, but we think the medical loss ratio could factor into that so. Any further questions for Senator Looney? If not, Senator, thank you so much.

SENATOR LOONEY (11TH): Thank you, Mr. Chairman. Thank you for your hard work on this issue.

REP. SCANLON (98TH): All right. Now to members of the public, Brendan Reppard [sic] from AHIP.

BRENDAN PEPPARD: Thank you, Chairman and members of the Committee. My name is actually Peppard. I'm regional director for AHIP. AHIP is the national trade association whose members provide insurance coverage for healthcare and related services.

Healthcare works for hundreds of millions of Americans today. They have affordable coverage they value and they get the care they need when they need it from the best doctors and hospitals in the world.
However, some hardworking Americans who buy their coverage on the individual market increasingly find their premiums out of reach if they don’t qualify for premium subsidies. We believe there are policy solutions and stand ready to work with you. However, proposals such as the Connect Health Plan outlined in House Bill 7267 will have significant unintended consequences, some of which we've heard about, and have the potential of being very disruption to Connecticut's current healthcare system.

The proposal is anti-competitive. The Connect Health Plan and small employer buy-in would have a distinct advantage over traditional qualified health plans that it would be in direct competition with because it would like force providers to accept below market rates or, barring that, unfairly subsidize only this coverage with taxpayer dollars. We believe that a robust and competitive market aids in helping keep healthcare costs contained. Providers may be forced to raise their rates in contracts with other products to cover their losses in participating in the Connect Health Plan.

As proposed, the Connect Health Plan would like need to force providers to accept below market rates. We are concerned this would lead to participating providers raising their rates for other insurance products, which would further destabilize the commercial market. Patient access may be adversely affected. The rural hospitals and providers serving rural communities may not be able to sustain large blocks of business at below commercial market levels of reimbursement. Providers may not be able to see patients within this plan as a result of the reduced reimbursement for services. Connecticut residents
living in certain communities may be faced with increased difficulties to access the care that they need as a result.

We believe there are policy solutions that exist that build on the best of both the private and public sectors that can improve affordability and coverage for all Connecticut residents. We are prepared to come to the table with proven policy options to address this issue. We are in support of the following policy proposals. Improving marketing and outreach for those already eligible for subsidized coverage, implementing state-based premium assistant programs and reinsurance programs, and taking steps to lower costs for everyone including promoting list prices, transparency, competition and value in prescription drug pricing, protecting consumers from surprise out of network bills, and curbing inappropriate third-party premium payments.

Health insurance providers are committed to insuring we have affordable choices for coverage. Let's build upon what works to ensure that all Connecticut residents have access to the care they need.

REP. SCANLON (98TH): Thank you, Mr. Peppard for your testimony today and for being here. You touched on the fact that you thought that this was anti-competitive. I think that when we were putting this bill together, we went to great lengths to make sure that it was competitive and that the whole central premise behind the bill would be that this would induce more competition and I get what you're saying, that you think that it would be unfair competition, but I'm just curious as to why you think that it would be anti-competitive.
BRENDAN PEPPARD: So you hit it right there. It's that it would unfairly competitive. What you're doing is you're putting your thumb on the scale. We heard the testimony from Dr. Kingsley [sic] before, Kingsford [sic] rather, I'm sorry. You're saying it's either going to be you're going to go at the cost of healthcare, which again, we believe is the underlying problem. Premiums are what is the apparent issue, but it's actually the underlying costs. So you're either going to pay providers less than the commercial market is able to and therefore, also inflate what commercial payers are required to pay, or you're going to pay what commercial payers pay and you're going to need to subsidize that product with taxpayer dollars, which the commercial market does not have the ability to do.

REP. SCANLON (98TH): Sure, and then, on the four points you mentioned, this is my central struggle with this, right, and with trying to come to sort of place where we as government can partner with the industry to do this and it think that the challenge that I've seen facing is that we can't get on the same page as to solutions here and the four things that you mentioned are all things that we're trying and we are in the process of doing. They're not working. You know we've done -- in the last couple of years since I've been Chair of this Committee, we've passed major bills when it came to price transparency with prescription drugs, last year alone, unanimously passed in this legislature on a bipartisan basis. You know surprise billing is something that we have historically have addressed back to 2015 in this state. Reinsurance is something we sure are going to be considering later today in a different bill. Marketing to folks that
are eligible is something that Access Health is doing all the time. None of it is working for the folks that I represent, right, which is the folks that maybe are the 400 percent of the poverty level and above. They're middle class families. They're making $100,000 to $150,000 dollars a year and they're just getting crushed when it comes to the price of their insurance and so we put forth here today, I know you're commenting on that, but I think that, with all due respect to you, I want to see the industry come to us with more concrete ideas beyond what we're already hearing that are really bold because we want to be bold. Our constituents want us to be bold, but just going back to the drawing board and doing things that we've already done doesn't seem to be working and I think we have to challenge ourselves together to do a better job of this.

BRENDAN PEPPARD: That's fair. I think there are other ideas out there. One thing you mentioned you're going to take up is the idea of a 1332 waiver with the insurance plan. We have seen that have some positive impact in -- you know it's early, preliminary, but there are some other states that have started down that road already and we're seeing some positive effect there. Is it going to be game changing completely? No, it won't because again, you need to tackle the costs. It's not the premiums. The premiums are what people see and they're irritated about them and we understand that, but it's the underlying cost that is the problem and so until we're going to go after those unit costs, what we are actually paying when an individual goes to see a doctor, goes to the hospital, gets a
procedure, we're not really, we're tinkering around the edges.

REP. SCANLON (98TH): All right well let me close by saying this and I'll ask other people to have a chance ask questions, but if we did this, what we're doing today and we did pay lower costs to the hospital, our friends in the hospital industry, do you think that they would find ways to deliver care more cost effectively, or do you think they would just turn around and blame us or you for that?

BRENDAN PEPPARD: So I'd have to say, I'd need to see what the proposal was and then I think it's really a question better directed to the hospital industry. We can't just universally, we can't just come in and say we're going to pay you less. We have negotiations with hospitals all the time, you heard that before and so if it's just going to be the state plan saying we're going to pay less, they will come to the commercial market and say you're going to pay more so if it's just, if it's just one side of this, it's going to raise. I'm not suggesting you set a -- we talked about hospital rate setting, I'm not sure that's something we all want to go back to. I don't think, it, it works in Maryland sort of, but I don't think we want to try to reinstitute that everywhere.


REP. DATHAN (142ND): Thank you very much, Mr. Chairman, and thank you for your testimony today. I really appreciate it. I totally agree with you that we need to make sure that hospitals and medical providers keep their cost in check, but I fail to see anything that's happening in in the insurance
industry that's changing this. I read article after article of insurance companies, insurance profitability is going up you know double digits every single year and one year it went up almost 30 percent at $6 billion dollars so when I look at that, I realize you know it's great that, you know I'm all for businesses making money but is it fair that businesses are making that much profitability on the backs of Americans who are not being able to get the right health insurance they need to work in their jobs, to take care of their families? Just a question to you on profitability.

BRENDAN PEPPARD: Fair question. Insurance companies, that would not be $6 billion dollars of profit in Connecticut, that would be nationwide. That's a lot of money. The profitability of the insurers is actually around 2 percent of the margin, is about the profits. That's not any given year, that's overall, that's an average. Some years, insurers lose money, some years they make more. I'd say that's part of the business. There is value that is being added by the insurance companies by providing the insurance product. It's in addition to the stability of the monthly payment so that employers and individuals are not exposed to a one-time cost with the exception of these surprise bills that we could talk about in another setting. So that's one thing. The other thing is insurers have increasingly worked to provide health and wellbeing services to make sure that their members are well rather than getting sick care and so I'd say, you know we've already kind of had a profitability discussion about the insurance sector. Insurance is a fairly low margin business. There are other areas
within the healthcare industry that make significantly higher margins than health insurers.

REP. DATHAN (142ND): Okay, thank you for your questions. Back to you, Mr. Chair.

REP. SCANLON (98TH): Any further questions from the Committee? Seeing none, thank you so much for being here today.

BRENDAN PEPPARD: Thank you.

REP. SCANLON (98TH): I appreciate it. Ted Doolittle, our healthcare advocate, who will be followed by Tom Swan from CCAG.

TED DOOLITTLE: Good afternoon, Representative Scanlon, Representative Pavalock-D’Amato, and other honored members of the Insurance and Real Estate Committee. My name is Ted Doolittle. I’m the Healthcare Advocate for the State of Connecticut. I am rising to make some brief comments on SB 7267 and SB 134. I mostly came to listen and learn from a lot of smart people and their questions. For those in the room and those otherwise within earshot of my voice, The Office of the Healthcare Advocate can help you if you are having a problem with your health insurance company. If you’ve had a health insurance denial, we have a staff of nurses, attorneys, paralegal's that can represent you for free so look us up, give us a call.

I have filed a written testimony, we have file a written testimony on HB 7267 and SB 134 as well as some other matters before the Committee today, and I just want to briefly add one point that was not in our testimony which is that currently, the Access Health Connecticut Exchange, the Obamacare exchange
in the state, has two carriers on it. One is very dominant and the other I think their business was like 80/20, so we do have two carriers. One of the nice things about 7267 is that it would create another participant on the health insurance exchange. That alone is an accomplishment and a security for the folks in this state. I in ex officio as a result of my office, I do sit on the board of Access Health and also sit on their subcommittees, the Benefits Design Subcommittee and there's a constant tension of needing to accommodate the insurers because we need the coverage and so this is something to keep in mind as well. This is an option that will be there for the folks in your districts.

I also want to make, build on a comment that I do make in my testimony which is that to me, this issue is not a partisan issue and this is in particular not a government versus private sector issue and I simply want to remind folks that Medicare, for instance, Medicare is essentially run by private industry. There's only 6000 employees at CMS, the Center for Medicare and Medicaid Services. That handles both Medicare and Medicaid whereas United Health Group has 250,000 employees. How can 6000 people run a much bigger program than United Healthcare? Well they can't. They hire contractors just the same way that the Navy doesn't build submarines, we in Connecticut build the submarines in private industry at Electric Boat.

It's the same thing with the Medicaid program as well. It's supervised by the government, but uses private industry and the state health plan as well. The state health plan is not run by the Comptroller's office. It's supervised by them, but
they hire private industry to manage it so I would expect that whatever versions emerge from this are going to be a public-private partnership and that's why I suggest actually renaming 7267 to something like a public-private partnership option because that rally gets much more to the heart of it.

Representative Pavalock-D'Amato, you had asked a question of Senator Looney about the data for administrative costs, and our testimony does at footnote 1 give some information and I'll just relay that to you orally right now. So the admin costs of Medicare are less than 2 percent of the overall cost of the program and that compares to commercial insurance plans which range from 12 percent to 18 percent and as well, not in my testimony, but I do happen to know from previous presentations from DSS that the Medicaid administrative rate is, I'm not going to get it exactly right, I'm going off memory here, but it's about 5 percent and that actually compares very favorably with other states. So I did cite a New York Times article that has further information and I could certainly give you more academic research on that, but those are the numbers that I have.

That concludes my remarks because as I said, I do want to listen and learn from the other folks in the room.

REP. SCANLON (98TH): Thank you, Mr. Doolittle for your testimony today. Any questions from the Committee? Representative O'Neill.

REP. O'NEILL (69TH): Well, two things. Earlier, when you hadn't arrived yet, there was a conversation with the Comptroller, a question and answer that went back and forth between the Chair
and the Comptroller as to whether or not what's being proposed in 7267 would constitute a big government program and the reply from the Comptroller was no, it's not going to be a big government program and I remembered in an early testimony a few days ago or weeks ago, you had mentioned the 6000 CMS employees versus the entirety of the Medicare and Medicaid systems which are run by lots of other people. And I was thinking about that during the exchange and I was thinking, most people would think Medicare is a big government program, but hearing you repeat it again, I'm guessing that you would say that it isn’t and therefore, this which is going to be much smaller than Medicare isn’t either because in effect, it's being supervised by a relatively small group of people who work for the government, but the rest of it is all private sector people within the service region so I guess would you say, in answer to that question if it was asked about Medicare, would you say Medicare isn’t really a big government program because of the way it's structured?

TED DOOLITTLE: Yeah, I would say that. I was a senior executive at CMS for a number of years and I intellectually understood that the operation was quite lean and that administrative costs were low, but when I got there and I realized really how small it is compared to the number of contractors and vendors, the full-time employees that are out in the private sector, that deliberate, yeah, I think that's right and I think it's a common misconception. That's why I mentioned it because Medicare is not run by federal employees. It's supervised by federal employees.
In contrast, Social Security I believe has over 100,000 employees. They have the tradition, they were started in the 1930s and Medicare was started in the 1960s under different political circumstances. Social Security has much more of a tradition of being run by actual government workers. They do have vendors too, but it's many, many times the size of Medicare even though the amounts that they're dealing with are somewhat comparable. You know, it's in the trillion-dollar range so I present it as a little known fact that is true, that Medicare is you know kind of, I don't know exactly what the right analogy is, but it's almost like Medicare is the coach of the team and the coaching staff, but then the team is actually 100 percent private industry.

REP. O'NEILL (69TH): The other thing is, the percentages we're talking about in terms of administrative costs, now what we're talking about I think you said 5 percent or something is what Medicare costs --

TED DOOLITTLE: That's Medicaid is in that range, in our state.

REP. O'NEILL (69TH): And it too is a private sector mostly right? I mean there aren't that many state employees who work on Medicaid or am I wrong about that?

TED DOOLITTLE: I don't, I'm not in DSS, but I think that's accurate, yes.

REP. O'NEILL (69TH): So most of the people who are doing the work of delivering a lot of the services and paying bills and all that sort of thing are again, private sector people; is that correct?
TED DOOLITTLE: Yeah, yeah, I believe so. Again, I'm not, I don't, I'm not an expert in the Medicaid Program.

REP. O'NEILL (69TH): I guess what I'm trying to understand is, if at the top of the pyramid is the government and somehow what flows down is 5 percent administrative costs or some number like that, some single digit number, and when you're in the private sector and at the top of the pyramid is not the government but a private for-profit group, the numbers are much higher than that and it would seem to me like Medicare, Medicaid, all of these things are run by much the same kind of people in terms of their training, their background, the kind of work they're doing. They're processing claims, they're reviewing procedures that were used and so forth to determine whether to pay them or not and that's at least part of what they do, and I'm trying to understand, what's the reason for the difference in the cost of administration for one from the other? I know we're saying well in the private sector it's one thing, in the public sector it's a different thing. We want it to be more of like the public sector and I guess I'm just wondering what's the magic that changes those numbers?

TED DOOLITTLE: Great question and the answer that I would give is first, it's scale. I mean the public programs are so, especially when you're talking about Medicare, it's so large. I mean we're talking $700 billion dollars, something that dwarfs any of these large companies even so they have these great economies of scale. That gets to Dr. Kingsford's [sic] point about the ability to negotiate and just tell people in a much more aggressive way, this is the Medicare rate, right? So there's scale.
There's also, you know, you cannot discount the role of the, of the profit, the need for the company's to generate a profit and in that regard, Medicare's a good example because you have traditional Medicare which has the very low administrative rate that I had mentioned, between 1 and 2 percent, but then you have, and that's run the way that I mentioned with nameless, faceless private companies that you and I don't need to know because they're only, they don't need to have an ad at the Super Bowl, their only customer is Medicare.

National Government Services, for instance, is a very large company you and I have never heard of perhaps, but it's a huge company. Then there is now the Medicare Advantage plans, also called part C or used to be called Medicare Choice where you get your Medicare through one of the private insurance companies so you'll have your Medicare, your Medicare card will be an Aetna card or will be a Signa card or a United Healthcare card. If you look at the administrative costs of that part of Medicare, you will see that, uh, two things. First, you will see that it's lower than the regular commercial and I would argue that that is because they're under government supervision, and you will see that it's higher than the traditional Medicaid so I believe that their admin costs are in the range, I'm ball-parking here, it's not, it's near double digits. It's near 10 percent. I'm not sure if it's a little bit above, a little bit below, but it's below the commercial, yet it's above traditional Medicare and part of that is certainly, certainly the need to generate profits.

REP. O'NEILL (69TH): Thank you, Mr. Chairman.
REP. SCANLON (98TH): Thank you, Representative. Any further questions? If not, thank you, Mr. Doolittle.

TED DOOLITTLE: Thank you for your time.


TOM SWAN: Senator Lesser, Representative Scanlon and other members of the Insurance and Real Estate Committee, my name is Tom Swan and I am the Executive Director of the Connecticut Citizen Action Group. On behalf of our thousands of members statewide, I want to applaud your raising of House Bill 7267, AN ACT CONCERNING PUBLIC OPTIONS and Senate Bill 134 today and urge their passage.

Connecticut’s small businesses deserve to be able to take advantage of the state’s ability to control costs and to cutting-edge prevention focused plan design that the Comptroller operates. Small businesses are and will continue to be the driving force behind Connecticut’s economy. This bill puts the legislature and the State of Connecticut on the side of small businesses in a way that really matters to small employers, their families. and their workers. There is no one who can argue that the current state of the health insurance market is working for this group and the trajectory is that it's only going to get worse. Small businesses hate high deductible plans and association health plans are fake insurance.

High deductible plans were pushed as a means to keep health care costs down, but really have only served to enrich insurance companies, increase out of pocket costs faster than peoples’ pay has increased, have patients avoid necessary care and turn doctors'
offices into collection agencies. Small employers want health insurance that is stable and that is there when they, their family, and employees need care.

Furthermore, it does not make sense from a business or from an economic development perspective to ask small businesses to have to dedicate time and resources to navigating the evolving health care system. In Connecticut, two hospital systems have near monopoly control of hospital beds and are buying up doctor practices at an alarming rate. Nationally, we are seeing merger and acquisitions taking place that are resulting in vertically integrated health care conglomerates like CVS/Aetna that no one has figured out how to regulate let alone asking small businesses to navigate successfully.

It should be clear to all of us that Connecticut's small business environment would improve greatly from passage of this legislation.

We also support the other portions of this legislation that create a public option for individuals in phase two and create a planning process to consider larger changes in hope of a less corrupt administration nationally. It is clear that health options for people ineligible for subsidies on the exchange are inadequate and that it not only makes sense to allow these individuals to benefit from the purchasing power of the state. This not only makes sense from a cost perspective, but is also the morally correct thing to do. We think that this is smart to begin a planning process based on the idea that there may be a less hostile administration in 2021 in Washington. It is smart
to be prepared. We would recommend that your final language explicitly state that any waiver hold Medicaid enrollees harmless and that the makeup of the study group adequately include consumer advocates, provider and enrollees.

We want to thank Senator Cohen for introducing 134. Thank you.

REP. SCANLON (98TH): Thank you, Tom and thank you for your advocacy on this issue and I know you're paying attention a lot to some of the national trends as the federal government has sort of pulled back from action on healthcare in recent years. I know states are stepping up around the country and I know you're monitoring that. Can you speak a little bit to what you see happening in states around the country?

TOM SWAN: Yes, so as it was mentioned by some of the earlier speakers, we see the take-up of public action spreading rapidly throughout the country, whether it be New Mexico, Nevada, Minnesota. New York is having a proposal considering additional New England states. I know the first public speaker spoke about the differences and similarities with Massachusetts. Massachusetts has no for-profit health insurers in it. It has no for-profit hospitals in it. They're mainly teaching hospitals.

It's not a similar type of a situation exactly to be looking at and when we look at the for-profit nationally, what's happening, I think we all need to bear in mind in terms of costs, it's easy always to point to somebody else and there a lot of people from a lot of industries making money off of this, but two years ago, there was $5 billion dollars frittered away in two failed mergers in the
healthcare industry. Let me repeat that. Aetna and Humana, Signa and Anthem cost rate payers indirectly $5 billion, with a B, dollars over their failed mergers. What did they do? They still had enough money that over the last two years, I had the opportunity while sitting over there before I looked, Humana, United, Aetna, and Anthem over the last two years, have done at least $12 billion dollars' worth of stock buybacks. Now seriously, how is a small business supposed to keep up and compete with that and know that they're getting a fair level playing field in a shake. They don't.

The Comptroller and the work that's been done by his office has figured out how to give people access to quality healthcare on a much more affordable basis than the private market has done. It would be wrong for this body not to give our small businesses and small group market the opportunity to benefit from that great work and design. If not, why wouldn't we do it? To say we're going to prop up a failed market that promised managed care was going to save money and do everything and then we had a few years passing, managed care bills of right, that a high deductible health plan was the nirvana that would save us all money and deliver us affordable healthcare? That's not the case. Government has an obligation to act on behalf of the public here. We applaud you for doing that today and look forward to working with you to make this a reality.

SENATOR LESSER (9TH): Thank you very much for your testimony. Are there questions or comments from members of the Committee, or member of the Committee? Representative Nolan, I think you're the only one here right now, it's on you.
TOM SWAN: Congratulations, Representative Nolan. I look forward to working with you to have this be one of the first bills you pass. [laughter]

SENATOR LESSER (9TH): Since Representative Nolan doesn’t have any questions, thank you very much, Tom. Next up, we have Dominique Torok from the Connecticut Intergenerational Alliance followed by Matt Katz with the Connecticut State Medical Society. Good afternoon.

DOMINIQUE TOROK: Good afternoon Senator Lesser, Representative Nolan and congratulations. My name is Dominique Torok. I am a Graduate Student at UCONN School of Social Work and I'm majoring in community organizing. I'm here today representing Connecticut's newly formed Intergenerational Alliance. We are a collective of individuals young and aging who collaborate and advocate on critical issues impacting individuals of all ages in the State of Connecticut.

Today, I want to share a story of a Connecticut resident and single mother of a beautiful 6-year-old girl who left a neglectful partner to provide a better life for herself and her child. This story belongs to a close friend of mine who inspires my advocacy work every day. My close friend put herself through trade school by working multiple part-time jobs, struggled through her courses and spent her days off doing side work and on the phone with various service providers hoping to get access to state assisted programs that would help her and her daughter get back on their feet. She overcame these multiple obstacles to obtain her auto mechanics certificate and shortly after graduating, found employment, although her struggles didn’t end
here. Upon obtaining a better paying job, she and her child became at risk of losing their coverage and the other support systems they were relying upon to make ends meet. Despite working full time and picking up side jobs and raising a child on her own, she often felt like a failure because she couldn’t meet their most basic needs.

In Connecticut, we often say we're prioritizing the needs of families and our most vulnerable populations and if we mean to be true to our word, we need to ensure that we're proposing and implementing policies that promote the wellbeing of all Connecticut residents such as House Bill 7267 would do. We should be providing opportunities for all people regardless of immigration or socioeconomic status to access the high quality and affordable coverage that they can count on for all their health needs including preventative care and mental health.

My friend's story is not unique. It's one of many. She is one of many individuals in our state who remain without quality and affordable coverage today and her story along with many others in the state is what drives the work that we're doing at the Intergenerational Alliance and our reason for being here today. So thank you for the opportunity to testify in support of House Bill 7267.

SENATOR LESSER (9TH): Thank you. Wow, perfect timing. Don’t go anywhere just yet. I just wanted to thank you for sharing your friend's story. It certainly matches up with other stories I've heard that are very similar about people who are unable to go back into the work force because of their fear of losing their healthcare benefits. It's something
I've heard from many constituents. Are there questions from members of the Committee?
Representative Nolan, you have any question.

REP. NOLAN (39TH): I just also want to thank you for the real life stories that are necessary for us to really understand the true reality of what people are looking for and asking for. Thank you for coming forward.

DOMINIQUE TOROK: Yeah, no, thank you for the opportunity to share that story. Over the past year I did work with Protect Our Care CT which does a lot of healthcare advocacy and I heard stories from small business owners, from single parents, from individuals just struggling to make ends meet and have healthcare so it was important that I share that with you today.

REP. NOLAN (39TH): Thank you very much.

DOMINIQUE TOROK: Thank you.

SENATOR LESSER (9TH): Next up we have Matt Katz followed by Julie Chubot? Chubot.

MATTHEW KATZ: Senator Lesser and Representative Nolan, I guess that's all that are here so thank you for the opportunity to provide comment. My name is Matthew Katz. I'm the EVP and CEO of the Connecticut State Medical Society on behalf of our physicians and physicians in training, and the other organizations that submitted testimony with us today that are above our masthead on what was submitted. We want to thank you very much for raising this bill and we support strongly the concept behind House Bill 2767. We commend the Committee for introducing this legislation and it is our hope that it will
improve access to care by creating affordable insurance options that work for both patients and for providers alike by restricting tiered and narrowed networks while reducing the burden of high deductible health plans. The entrepreneurial spirit that underpins our small businesses in the state is stifled by the rising cost of health insurance. Dependency on the deductible and the cost of providing increased unattainable care as patients forego essential health benefits and preventative care services or delay their treatments is something we can no longer stand idly by and allow.

New solutions are needed to address this log jam. House Bill 7267 provides the methodology to reduce cost and provide opportunity for the sparkplugs of our economy, the innovative small businesses, to provide for and support their most valuable assets, that is their employees. At the same time, it creates opportunities to restructure and expand insurance options and improve the exchange that is in need of assistance so that patients and providers alike are willing to participate and see benefit in the exchange. Including the state employee model on the exchange opens up small business options and fosters competition, it does not stifle it, among existing insurers to produce projects that actually encouraged and incentivize competition and collaboration. CSMS supports the concepts in this bill in a more vibrant and workable exchange and maybe it's really time to focus in on those profits, those excessive profits that you heard about earlier when it comes to the that 10 or 20 or 30 percent, and focus more on the healthcare delivery in the State of Connecticut. Thank you.
SENATOR LESSER (9TH): Thank you, Matt and I will say that I think it's incredibly important to see Connecticut's medical doctors stepping up and saying how it important it is to help close the coverage gap and make sure that people are covered. I do want to hear -- some of the things I heard you say and I think they were all taken well, is the importance of making sure that any public option has competitive provider reimbursements, that we address some of the issues with high deductibles and that we avoid tiered and narrowed networks so I take those points seriously and look forward to working with the medical society on those issues. But also, I guess, you know doctors wear multiple hats and in addition to being providers, many doctors are also small business people. Do you think this kind of bill is the kind of thing that might benefit a lot of small practices that are out there that are seeking to provide coverage for their own staff and?

MATTHEW KATZ: Absolutely and you know, we heard earlier also and I want to just kind of address a myth. Small practice physicians have no ability to negotiate, no leverage to negotiate with health insurers, but they are still the backbone of Connecticut's health delivery system, employing more than 100,000 employees in the State of Connecticut directly or indirectly. They would benefit greatly and it would be our hope that they would be able to access this plan as individuals and small businesses as it progressed to allow them to offer similar or same insurance to their employees that is offered to the state employees, or some modification thereof, again, making sure that those high deductible plans are addressed and those tiered and narrowed networks because what we don’t want is we don’t want
insurance that's a loser rate where you pay premiums, have high deductibles, but have no access to anyone when you need your care.

SENATOR LESSER (9TH): Agreed so I think that point is well taken and I appreciate your willingness to work with us on that and look forward to a productive relationship. Are there questions from members of the Committee? If not --

MATTHEW KATZ: Thank you very much and we look forward to working with the Committee to ensure that this becomes a reality.

SENATOR LESSER (9TH): Perfect. Thank you. Next up, Julie Chubot? Did I get it right?

JULIE CHUBOT: Yes.

SENATOR LESSER (9TH): Okay, terrific. Sorry about that. Followed by Joe

JULIE CHUBOT: Thank you. So, Chairman Lesser, Chairman Scanlon, members, member of the Committee, my name is Julie Chubet and I am president of the Connecticut Benefit Brokers, A Chapter of NAHU. On behalf of my colleagues and members, we do not support the proposal of a public option, the HB 7267, and the opening of the state employee plan that's mentioned in the bill, as well as the Senate Bill 134. I believe you have my written testimony so I'll hit some of the high points because I've also submitted testimony on the Association Health Plan Bill as well.

Everyone deserves affordable quality health coverage. Healthcare costs are out of control and unfortunately, nothing in this legislation focuses on the high cost of care here in Connecticut. Small
businesses and individual in our state face some of the highest cost of insurance and healthcare in the country. Commercial plans subsidize the cost of underfunded Medicaid and Medicare services. Every day we work with our clients to see that Connecticut needs better more competitively priced options so as brokers, we work with individuals, small business and medium sized to large companies. Any approach to improve healthcare insurance options for Connecticut small businesses and individuals should be aimed directly at lowering the overall cost of healthcare. It should not be adding to the financial burden of taxpayers to support the new government expenditures causing further financial disadvantages to living and working in the state.

One approach we have seen that we believe could be beneficial to stabilizing the individual and small business market would be state operated reinsurance programs that is proposed in Senate Bill 136. These pools would not issue coverage but would be available as a reinsurance mechanism to insure risk above certain claim levels. By allowing certain high risks to be ceded to a reinsurance pool under this program, there will be stabilization of premiums for individuals and small groups.

We need to have transparency in the cost of care and something needs to be done about the high cost of prescriptions. Connecticut’s small businesses do need relief from the overwhelming costs of doing business in the state. Creating the public option with new administrative burdens and costs will not achieve that.

Opening up the state employee plan to small businesses in Connecticut is also not going to
achieve these goals. The bill as currently drafted raises some concerns and questions for us. The bill language does not include how the pricing will be set for these small employers. The state plan is self-funded with no stock loss carrier. Will that be the same for the small employers in that plan? What will happen if the claims exceed the premiums that are collected? Is there fear that only unhealthy and older groups will go into that plan. The plan will need to be actuarially priced and not subsidized by other groups. Without these details, we cannot conclude that the plan would benefit those it's intended to.

Another concern is will the plan be considered benefit rich, a Cadillac plan and reach a threshold that in 2022 could potentially subject it to the 4 percent excise tax thereby undermining the intent of this legislation? We do, however, believe that association plans may help to lower the cost of health insurance benefits. Numerous other states are already allowing the association plans and will give small employers another option for benefits. These plans would be certified by the commissioner, licensed by the state, cover essential benefits and preexisting conditions.

Currently we have small employers going into association plans that are set up in other states. This could allow small employers to have composite rates based on a fully insured plan or even self-funded and actually be kind of profession specific. In closing, we ask that the state not support creation of a public option or open the state employee plan to small employers. We do, however, hope that the state will allow Connecticut to have association plans. Thank you for your time.
SENATOR LESSER (9TH): Thank you for your testimony. Now, you mentioned the need to tackle the cost of, well cost containment across the entire healthcare system and certainly that's been an issue that we've been focused on in this Committee. I don't know if you saw last week, we did hold a public hearing on a proposal to attempt to contain prescription drug prices. Is that something that -- is that particular legislation that the benefit brokers support?

JULIE CHUBOT: Absolutely. Prescription drugs are a huge cost for insurance companies, employees. I mean just myself, I had to pick up a prescription for my husband. I have a high deductible health plan. I happen to like it, but $1100 dollars for his prescription. I was like ooh, okay, but they do work. I will tell you my son had a horrible ski accident last year. He met his, our deductible and out of pocket maximum so when I broke my foot a few months later, it didn’t cost me anything for my broken foot and physical therapy and then everything that I paid for those expenses were with pretax dollars so I know everyone seems to be against these high deductible health plans, but they do work if you're paying co-pay after co-pay after co-pay with after tax dollars and you could be paying for some of these things with pretax dollars, it could actually work out for some people.

SENATOR LESSER (9TH): Well it may work for some people. I don't know if it necessarily works for everyone.

JULIE CHUBOT: I totally agree with you and that's why choice is important.
SENATOR LESSER (9TH): So you also mentioned reinsurance. One of the bills on the agenda today, Senate Bill 984 includes a reinsurance, a state-based reinsurance. I don't know if you've had a chance to look at the bill.

JULIE CHUBOT: Yeah, we've looked at that bill. I will tell you before the ACA, Connecticut had a reinsurance pool. I think we started it in the early 1990's. I mean Connecticut is a state that did a great job. Our small employers didn't have preexisting conditions or anything like that from the early 1990's. In fact, CVIA, who I know is testifying later, they were one of the first companies to come out and offer medical plans that weren't underwritten to groups.

SENATOR LESSER (9TH): So if the benefit brokers were allowed to market the state employee plan to small groups, is that something that you think your members would embrace?

JULIE CHUBOT: Yes, we would. I will tell you I don't think the Comptroller understands how much work goes into running small groups. We do all of their additions, all of their terminations and then let's not forget, if they're going to be going into a self-funded plan, there's all compliance issues that have to be done. Who's going to handle their 1095's and claims problems that employees have, all of the things that we do for our small employers?

SENATOR LESSER (9TH): So, do I understand, would you reverse your opposition to this bill if you were included?

JULIE CHUBOT: No, not necessarily, only because I'm also a taxpayer and I would be very concerned about
the claims we could be opening that pool up to so I don't know -- he didn’t -- I know Lembo, he addressed something about underwriting so is he going to underwrite and pick and choose who goes into that plan? If you do that, then you're going to cause damage to that small employer market that's already being damaged.

SENATOR LESSER (9TH): Well I don’t want to speak for the Comptroller. I think he's indicated that any underwriting would be in compliance with the State of Connecticut underwriting restrictions that are applied to fully insured plans under the ACA, but I don’t want to speak for him. I think he can speak for himself.

JULIE CHUBOT: Absolutely.

SENATOR LESSER (9TH): Another proponent of the bill concerns individual qualified health plans. Does the -- your testimony seemed to be silent about that. You don’t have a decision one way or the other?

JULIE CHUBOT: So our position is I don't think we -- our fear is if we do a public option on that and it all has to do with what are -- if you look at what is being reimbursed on Medicaid and Medicare, the commercial -- we're -- the commercial insurance is paying all that. Are they going to look to reimburse on that same level? I think what really needs to be done is maybe we need to open up and allow more subsidies for those who are caught in that middle income.

SENATOR LESSER (9TH): Well we have, does that, we have a bill on that in Senate Bill 984. Are you sup, are you supportive of that bill?
JULIE CHUBOT: I have not read that bill, I'll be honest.

SENATOR LESSER (9TH): Okay, all right.

JULIE CHUBOT: There's a lot coming out.

SENATOR LESSER (9TH): It's the next bill on the agenda so you can come back in a minute if you want, but thank you very much for your testimony. Any questions from the Committee? If not, thank you very much for your testimony.

JULIE CHUBOT: Thank you.

SENATOR LESSER (9TH): Joe Brennan followed by Lindsey Farrell who usually testify together but I guess today they're making an exception [laughter]. Good afternoon.

JOE BRENNAN: Thank you. Senator Lesser, Representative Scanlon, my name is Joe Brennan. I'm President and CEO of CBIA and I'm here to talk about 7267 and 134. Let me first start out by saying we really appreciate the sentiment behind these bills. You know, we feel your pain. We deal with every day, not only for our own employees trying to provide good quality, but affordable healthcare, but also for our thousands of small business members. It's the largest percentage of our membership by far, companies with 50 or fewer employees so it's a real challenge as you fellows know and the rest of the committee knows, we've been hearing about this issue for quite a while from our members, probably only second now to workforce is probably our biggest concern we hear from most of our members. I also have the most respect for Comptroller Lembo. You know, we work well with him on a whole host of
issues and just to quote if I can, Representative Scanlon, for a second.

When you said earlier, to an earlier speaker that you know disruption in this area may be good and I do know disruption is more of a positive comment now in the business world than negative, but I do think in this area, with all due respect, that the disruption we'd be looking at here with passage of these two bills would not be positive and I don’t want to repeat all the great testimony that I thought was offered by Dr. Kingsdale and Mr. Peppard earlier relative to the fact that so much is about cost, you know we don’t hear from our members, geez we can't finance the health plan of the state employees. We hear from our members, costs are too high and for the reasons already articulated, I just don’t see a way that this actually drives down costs if the best you can do is shift costs and we've been dealing with that issue for years due to you know under-reimbursement of Medicaid because that gets shifted onto other payers which are largely our members that do provide good plans which is what we want to encourage. You know at the end of the day, there's no free lunch. If we can't find a way to reduce the cost of care, I think beyond that we're just doing a lot of cost shifting which has gotten us where we are.

And also, going back to a comment that Comptroller Lembo made at the press conference, when he said look the market hasn’t been working for decades. You know the market that everybody operates in is the market that is set up by federal and state law. You know we don’t create the playing field. It's the playing field -- and the ACA did a lot of good things, there's no question about that about
expanding access, but it also is heavily regulatory when it comes to small business and it took a lot of innovation and flexibility out of the marketplace and it's created some winners and losers and that's, you know, yeah, maybe the market hasn't worked perfectly, but a lot of it is because the rules that everybody has to play within.

So what I would like to offer, and I know, I don't want to make this sound hollow, but it's honest that we would enjoy sitting down in a collaborative way with all the participants and find out a way that we can actually do this in a way that I think is beneficial for everybody in the state and from where we sit, and I know how committees are structured, you've got to focus on this issue, but you know, our mission is to create a globally competitive business climate here in Connecticut and we have to look at the overall impact of this, and given the state's precarious financial position and as Comptroller Lembo, and I'm sorry, I'll summarize, as Comptroller Lembo said a couple of weeks ago at the forum you had that yeah, depending on the book, if you did open it up to the book of business you have, if you have a bad year, that's all the risk that the State of Connecticut would have to take on. And given the precarious financial position both short and long-term with the State of Connecticut, I don't think opening the state up to risks is necessary and we do have a very competitive marketplace already so just having another competitor, if they're operating under the same rules of plan design and everything else, I don't think it's going to be a benefit to the State of Connecticut.

So I did submit written testimony but I'll stop there.
SENATOR LESSER (9TH): Thank you for your testimony and I did want to just pick up on that last point that I heard you make which is that you thought that this -- you believe that there's a very competitive marketplace. Do you think that that is a position shared by small businesses operating in the state? That they have a competitive marketplace to pick health insurance from?

JOE BRENNAN: Well let me answer it this way if I can, Senator. There are a lot of players in that marketplace, but under adjusted community rating rules, you know there's only so much movement there so I'm not saying that because of that competition, it drives costs down so far. It goes back to that regulatory structure that I talked about earlier and I'm not saying adjusted community rating is a bad thing. We had supported that back in the early 90's when that came into Connecticut because we had such huge fluctuations in the marketplace, but because of that, it doesn't leave a lot. So you can have 100 carriers in Connecticut and it may not drive down costs. So yeah, there's a competitive market in that there's a lot of players in town, but under our regulatory scheme, that extra competition doesn't necessarily drive down costs.

SENATOR LESSER (9TH): Well one place that competition can drive down costs is on the, on the medical loss ratio and I think the intent here would be to provide a product that has a you know lower administrative and overhead costs and a higher percentage of fees devoted to patient care. Presumably, that would be a benefit to anybody purchasing health insurance? Is that, you don't, you don't see that?
JOE BRENNAN: I'm not an expert here. I heard Comptroller Lembo talk in the press conference about 70 percent, 65 percent in the private market I believe, but the requirement is 80 percent has to go to care so that leaves 20 percent that Dr. Kingsdale and others were talking about, but there's still a cost to doing this. You know can you ring out a half a percent as like maybe somebody said earlier? Maybe, but really it's the cost of care that's driving it and at the end of the day, you know we employ tens of thousands of people in the industry so you know to some people, what might be administrative costs to other people is jobs. A lot of jobs. Tens of thousands of jobs so yeah, we're willing to look at anything. You know I always say we do not make knee-jerk reactions to these things. We read the bills and try to figure out if it's a good thing or a bad thing for our members and for the economy and I just don't think there's enough savings there to justify this.

SENATOR LESSER (9TH): So CBIA wears a number of different hats and I know you represent large and small employers, but you also market benefits to companies as well. Do you currently sell health insurance? Are you in this business?

JOE BRENNAN: Yeah, we like almost any other association try to find as many benefits to your membership as you can. Our mission, as I said, is to create a globally competitive business climate and the more companies we have in our membership, the better we can accomplish that so we have a variety of benefits that we provide and yeah, we've been in the business, I've been at CBIA 30 years and it predated me so there have been different products
over time, but yeah, we try to provide a good benefit and healthcare is one of them.

SENATOR LESSER (9TH): So you would see potentially, opening up the State Employee Plan could represent direction competition as far as you see it to a service that you currently provide to your members.

JOE BRENNAN: You know to be honest with you, Senator, no. You know we went through this whole debate over MEHIP. Do you remember MEHIP you know opening up the municipal plan to small businesses. We just didn’t think it was going to work and we opposed it. It passed and there was no take-up on it. Then when the shock came along, oh, you know let's go shock. A lot of people said you're going to lose all this business to shock. Shock has not been you know overly successful. You know we feel that we can, and the partners we work with are world class and will provide a good benefit so I know that's, and I'm not suggesting this of you, but I know that's been a narrative of some, but believe me, we're, you know the policy drives whatever benefit we may offer, the benefit doesn’t drive our position on policy.

SENATOR LESSER (9TH): You keep a steel wall between the for-profit side and your advocacy side?

JOE BRENNAN: We have to, we have to. We always have as long as I've been there, like I said, 30 years. As long as I'm there, we will because our mission is not to be an insurance company or to offer an insurance product to our members. Our mission is real policy, why we exist. We wouldn’t exist otherwise so we can never let any product that we offer, whether it's energy or home and auto or
anything else we do, we can't ever let that impact on our policy position.

SENATOR LESSER (9TH): And lastly, I'm just going to ask a followup question. I had a colloquy with one of your, with one of your colleagues last week on the prescription drug bill which I may have misunderstood, but I understood her to say that she didn’t hear that the price of prescription drugs was a leading concern. I think she, I think I may have mischaracterized it at the time as being not of any concern, but she didn’t think it was a major concern for businesses out there. Is that a position that you share?

JOE BRENNAN: Well I think and again, I didn’t listen to that debate, I have only heard anecdotally about it. My understanding is and somebody else in the room knows more than I do, but about 10 percent of the overall cost is pharmaceutical so you know relative to the 90 percent you could say is small, but obviously every cost is important.

SENATOR LESSER (9TH): Thank you. Representative Scanlon.

REP. SCANLON (98TH): Thank you, Senator and thank you, Mr. Brennan for being here today. I appreciate your testimony and that you understand the sentiments of what brought us to where we are. I guess the challenge that I find, and this is the challenge that I was explaining to the gentleman that testified earlier is just this disconnect, right? The disconnect between we know there is a problem, the folks that you represent, the folks that we represent, we have the same problem and they're both sharing with us the same concerns.
It's the concern that Senator Cohen laid out earlier.

I'm not sure if you were in the room when she was here, but her story, people are gasping about the amount of money that she spends for her premium every month and the deductible, but it's really not that shocking because we hear it all the time. And when I got elected to this job for the first time, I did not get the endorsement of CBIA and I reached to CBIA and I said I will go to any single business that you guys want to take me to in my district and we will develop a relationship and we did and I'm grateful for that, but every time I went to those business they said the same darn thing, which was that they were just getting shellacked when it came to the cost of healthcare.

And so I think this is our attempt to try to find a solution to that problem, but I will speak for Senator Lesser when I saw that we went to great lengths to try to find a Connecticut specific solution and that was one that did involve the insurance industry because we do understand and certainly recognize that are 60,000 people, men and women who get up every day and go to work in and around the Hartford area and we certainly don’t want to lose that business, but we also can't wait for the 3 million people in Connecticut who get to have relief just in incremental form. The gentleman that was up here earlier today gave out four ideas from the industry of what we could do. We've done three of them already. We're doing three of them continued this year based on work we've already done and one of them was to do more marketing, which we're certainly support, but that's not going to be the answer that these folks are looking for.
And so you know, I guess I would say to you that I hope that there is a way that we can get you, maybe not to yes on this bill, but to a better place on this bill, and that you can give us maybe some specific feedback beyond you know what's maybe in your testimony and that we can literally sit down and go over this and find out how we can come together because I think that your members and our constituents, they want the same thing. It's just a question of how we get there. We put forward our first attempt and I know it's going to be a long conversation going forward, but we believe that we came up with a unique system here in Connecticut that values both of the things that we share.

JOE BRENNAN: Yeah, no, there's no question about that and I appreciate that and you know, if there was an easy answer, we would've found it a long time ago and just like I go to some businesses and they rail at me about taxes but I can't necessarily drive their taxes down, you know or if they're railing about workforce, I can't easily come to you and pass a bill that all of a sudden they're going to have people lining up at their door for jobs. You know we've got a lot of vexing challenges here in Connecticut, there's no question about it and I appreciate your approach to it but I did, I have to admit you know I cringed just a little bit when I heard at the press conference you know we're the first state in the country to do it. You know we've been there before on some things and you know it doesn't, it hasn't necessarily translated into Connecticut being a mecca for talent and capital. You know we finally have, I think, turned the corner in Connecticut. We've had as you probably know in the media three consecutive quarters of good growth
now. We had job growth that we haven’t seen in decades in 2018 and as I said, most of 2018, I think we get final job numbers tomorrow for the year, but economic numbers, the first three quarters we saw growth. After 2016 and 2017, our economy actually declined contracting in Connecticut. I mean we've been through some really tough times, but businesses are resilient. The employees of those businesses are resilient. I think the people of Connecticut are resilient. We've been through some tough times so when I hear you know all of a sudden like charging out and being the first in the nation to do something when we've still got enormous long-term and short-term financial challenges, we've got you know serious challenges around our business climate.

You know every day I'm seeing the Wall Street Journal or Bloomberg or somebody still you know going after us so we've got to, we've got to fight back against that and I just want to make sure again, looking at this not in a vacuum, but looking at the overall picture of Connecticut, that we do things that, you know try to take care of all the needs that are out there, but also do it in a way that we can do what I think is most important, is to have robust growth so we can provide more and better job opportunities and successful companies that provide those benefits to employees. So, yeah, we'll continue to you know keep the dialog going and I appreciate your approach.

REP. SCANLON (98TH): And I would just say that you know, Mr. Brennan, I think we look at this as the best way to inhibit that kind of growth and actually foster that kind of growth is to let them stop worrying about the crazy cost of healthcare and start focusing on selling their widget or
manufacturing their product or doing the best thing they can to provide a service that they are uniquely qualified to do, not worry about paying the bills and sitting there at night behind a kitchen table, frustrated about the cost of healthcare.

JOE BRENnan: I agree and I'm sorry, not to prolong the debate, but again, we just don’t see where those savings are you know? There's no free lunch. Like I said if it's just shifting to somebody else, it's not resolving the problem, but if we can find a way collectively to solve that problem, we'll be all in.

REP. SCANLON (98TH): Thank you.

SENATOR LESSER (9TH): Thank you, Representative and outside of Representative Scanlon's line of questioning, he offered to speak for me and I think he did a much better job than I have done so I'm always happy to let him do that. Other questions from members of the Committee? If not, thank you very much and look forward to working with you.

JOE BRENnan: Great. Thanks for your time. I appreciate it.

SENATOR LESSER (9TH): Next up Lindsey Farrell followed by Beverly Brakeman. Good afternoon.

LINDSEY FARRELL: Good afternoon. My name is Lindsey Farrell. I am the state director of the Working Families' Party here in Connecticut. I want to thank the Committee for having this hearing today and I'm here to support the public option legislation before us. I will in the interest of time associate my remarks with those of Tom Swan and Matt Katz from the Medical Society who I think laid out a very compelling case about how this
legislation is crucial for small businesses and state residents.

The private marketplace has just failed to solve this problem and additionally, the burdensome costs of healthcare and energy have fueled a false political narrative that workers need to be compensated poorly and enjoy very few rights for our economy to succeed, which holds back our workers and families and it stifles our economy so the problem here is twofold in that it is burdensome and expensive and difficult to get access to healthcare, but it also perpetuates other problems that we have.

So I would like to just recommend some principles as we forward for things that we think are important to successful legislation, you know to keep this product truly public, with public oversight and accountability, to create a product that increases incentives and accessibility to grow the pool which will lower risk and therefore cost for all participants, that's where the savings are, to make the product available to all Connecticut residents, including undocumented immigrants, who are often left behind by our public policies and to ensure quality and comprehensive coverage you know avoiding high deductibles and fake insurance and major coverage gaps.

So thank you for holding this hearing and I also will say with the balance of my time, Senator Lesser, my father as you know is a physician and he wanted to say thank you for having the Committee raise this bill and hello.

SENATOR LESSER (9TH): Thank you and say hello back to your dad. I appreciate his support. Are there
questions from members of the Committee? If not, thank you very much for your testimony.

LINDSEY FARRELL: Thank you.

REP. LESSER (9TH): Next up we have Beverly Brakeman followed by Frances Padilla.

BEVERLY BRAKEMAN: Good afternoon Senator Lesser and Representative Scanlon. I could read my testimony but you already have it and it pretty much says the same thing as Tom Swan and Lindsey Farrell, but I want to thank this Committee for bringing this bill forward. It's been a long time since I've seen these red shirts and I couldn’t find mine this morning so I don’t have mine on but I have just really great memories of those times when we were working on these issues and I mean I don’t need to really tell you how bad a problem is. I guess what I would say is more on a personal note, this is something that matters to my union, the United Auto Workers, where I'm the director of more than 8000 active and retired UAW members, but I'm really passionate about this issue personally. I happen to have good insurance as a member of a union, but I know a lot of people that don’t. When my daughter was in high school, she had some very serious mental health conditions, learning disability and I could spend a lot more than my 3 minutes telling you what I had to go through to get care for her, to get the medications that she needed, to lie to the insurance company to get one more day in the hospital, I mean it was like insane, like the things we had to say to get one more day. So I can get really angry and really pissed off about this because I think it's outrageous that in this day and age, we still have people who don’t have affordable quality care and have to pay such enormous amounts of money to get in and when I hear people say oh Medicare for all,
a public option, we'll have to wait in lines, it'll take too long, whatever, I'm like hello? People are dying here. They're aren't even lines here because people don't even know where to find the lines you know? So I know I'm speaking to the choir with both of you and I think it takes tremendous courage on both your parts to bring this issue up and to really carry this issue for those of us in the state and I currently stand here with a lot of allies in the room and certainly a lot of moms that I work with whose kids struggle with the same things that mine do that are here to tell you this is really important, so please fight and we'll be behind you. Thanks.

SENATOR LESSER (9TH): Thank you, Bev, and thank you for those words of encourage. You know I think -- I take to the heart some of the concerns we heard earlier from Joe Brennan and I think you know what Representative Scanlon said I think is right, that we're really, we recognize what we think is a serious problem out there, that people really are having trouble, a lot of businesses are having trouble, a lot of families are having trouble finding care that they can afford and we're trying to find a solution that works for Connecticut, that's really right for our state and our economy and speaks to our strengths and so I'm hoping we get there. Obviously healthcare is hard. If it were easy, it would've been solved as a problem a long time ago.

BEVERLY BRAKEMAN: Yeah, no, and I certainly appreciate that you guys have to walk that line, but I'm going to just tell you, I'm on the side where like just healthcare should not be a for-profit business. It just absolutely should not and I just, it just, it makes me sick to my stomach that it is
and if it's the last thing I do in the world, it's
the one thing I'd like to change about this country
and this world because it's outrageous to me, but
thank you for what you're doing. I understand
you're doing what you need to do and it's terrific
so thanks.

SENATOR LESSER (9TH): Thank you. Any questions or
comments from the Committee? If not, all right,
next up is Frances Padilla followed by Dr. Richard
Duenas.

FRANCES PADILLA: Good afternoon. I'm Frances
Padilla, President of the Universal Healthcare
Foundation, for the record, and delighted to be here
to speak with you this afternoon. I'm here because
we believe that House Bill 7267 takes a major leap
forward to help Connecticut achieve that vision that
we have at the foundation for healthcare that helps
all of us stay healthy, that helps us get excellent
care when we need it, when we are sick and at a cost
that doesn’t threaten our financial security.

I've submitted my testimony so I'm just going to
offer highlights here. Ten years ago almost to the
day, March 2008, I testified in front of this
Committee in favor of SustiNet, which was a public
option that proposed to that in many ways tried to
build off the strength of the state, our state
government to negotiate and to extend the benefit of
that leverage to Connecticut state residents who
were uninsured. We got the ACA, we went about the
business of implementing the ACA in Connecticut and
the same issues that we were dealing with in 2009,
we continued to deal with which is runaway prices.
The cost of healthcare makes it difficult for people
to afford access to affordable and quality care and
so we are here again ten years later with another public option bill on the table because alarming numbers of Connecticut residents still can't afford coverage and care. Consumers have too few quality, affordable health insurance products to choose from.

I will say, listening to the prior testimony today, that we've been working on affordability, advocating for improving affordability of healthcare and we have made it very clear that we believe the problem is the price, right? The price of hospital care, the price of pharmaceutical drugs, and the price of insurance and we do believe, I don't think it will be a surprise to anyone, that healthcare is a human right and that healthcare is a public good because like water and electricity, we all need it and as such, government as a responsibility to protect consumers and to approach it as a public utility.

So in a recent survey, 62 percent of Connecticut residents who have employer-sponsored insurance are worried about affording it; 82 percent of people who buy insurance in the individual market are worried about it. House Bill 7267 will help those people. It is a beginning. I do think that the three-phase approach is a very important way of approaching it. I think the third phase which is the study should look at various ways of expanding coverage, but also at looking at the underlying price of healthcare.

SENATOR LESSER (9TH): Thank you, Frances, for your testimony. It's good to see you back here. You mentioned SustiNet. That was a pre-ACA bill as I understand it. Things have obviously changed to some extent since the ACA and we have the exchange up and running. Do you anticipate that the individual part of this plan, the qualified health
plan, would that be something that could be offered through the health insurance exchange?

FRANCES PADILLA: I do believe that it could be offered as an additional option through the exchange. It can also be offered off of the exchange.

SENATOR LESSER (9TH): And if it's offered on the exchange, it would qualify for current federal [overlapping conversation].

FRANCES PADILLA: As long as it meets the requirements and it would have to, the State of Connecticut would have to obtain federal approval to be able to offer it on the exchange.

SENATOR LESSER (9TH): But that's, that's non -- is that something that the federal government would have a great deal of discretion over or is that something that would be, as long as we meet the requirements?

FRANCES PADILLA: You would have to meet the requirements of qualified health plans and I think the way that it is currently being thought about, it would certainly, it would certainly meet those requirements.

SENATOR LESSER (9TH): And I take to heart your comments that this doesn’t fix all of the issues in healthcare. That wasn’t its intent, but you believe this particular component would help lower costs for small businesses and individuals?

FRANCES PADILLA: We expect that it would. We would want it to be structured in such ways that it's protected from gaming of the system by other players in the insurance market and I think that the
development, the timeline that has been developed by the, for the legislation makes sense so that this can be carefully structured. I believe that -- I want to say one other thing before I leave here. I believe that the impact of this bill will be significant on several hundred thousand Connecticut residents. There are over 250,000 small businesses, 11 percent of the insurance market is small group. There are about 132,000 people buying individual insurance right now both on and off the exchange, and there's another 130,000 undocumented immigrants who even if they have the money, are unable to buy. Whether they're prohibited from buying is actually not even fully understood, right, but they are unable to buy even if they can afford it. Clearly, what's available today is unaffordable to everybody, but if we have this, we would actually have you know another half million people covered with affordable coverage which would have to help people access care early, preventive care, primary care, that has to help reduce healthcare costs for the state.

SENATOR LESSER (9TH): Thank you. Any questions or comments from the Committee? Yes, Representative?

REP. SCANLON (98TH): I just want to thank you, Frances, for being so willing to step up and be a part of this conversation and you’ve been doing it for quite some time as a person who has an organization and we value that experience and all the help that you helped us to get here today.

FRANCES PADILLA: Thank you. I will say we continue to be ready to assist in whatever way we can. We try to keep our finger on the pulse of what other states are doing as well. I have shared with you separately that the state employee health plan is
like you know a strong engine in the state, particular a state with only 3.5 million people, right and a state like Montana has used its State Employee Health Plan to actually bring reimbursement rates to the system, the health system, to Medicare Plus, 250 percent of Medicare. We could do that in Connecticut. We could do that. It is, there are no easy answers. The reason that it's been ten years is because there are a lot of ways we could go, but there are no easy answers and there are a lot of interests and so.

REP. SCANLON (98TH): Thank you.

FRANCES PADILLA: Thank you.

SENATOR LESSER (9TH): Thank you, Representative. Any other questions? If not, thank you Frances for your testimony and for all the work you’ve done. Next up we have Richard Duenas. Duenas, I'm sorry, I apologize, and after you, we'll be hearing from Nancy Burton.

DR. RICHARD DUENAS: Good morning Senator Lesser, Representative Scanlon and members of the Insurance and Real Estate Committee. My name is Dr. Richard Duenas and I am the Government Relations Committee chairperson of the Connecticut Chiropractic Association. The CCA supports the establishment of systems of equitable healthcare delivery that provide comprehensive and effective health and wellness care services to all individuals and thereby improve healthcare quality and effectiveness at reasonable costs.

We especially recognize that the liberty of individuals to utilize a healing arts discipline of their choice for their primary and specialty care
needs which must be assured in all health care systems established in the state. This respects individual freedom, assures equitable trade of the healing arts disciplines, and assures the delivery of cost effective and clinically effective health care to individuals and to the general population. This bill establishes the ConnectHealth Program, the ConnectHealth Trust Account and the ConnectHealth Advisory Board. The ConnectHealth Advisory Board is going to report to the Comptroller and the Office of Health Strategy. With respect to this Health Advisory Board, it includes ten particular members which are stakeholders as well as certain providers, nursing and physicians.

Our experience with health care policies is they are often established, or at least highly influenced, by non-chiropractic physicians. Such policies are usually limited in assuring patient access to the full scope of chiropractic services. This can have the effect of discouraging patients from receiving more comprehensive and effective care from their chiropractic physician, and of steering patients to less effective and riskier care. We believe this occurs in other health care professions and the only way to assure the full knowledge and benefits of each health care discipline is to reasonably include all appropriate healthcare disciplines on this ConnectHealth Advisory Panel or Board. We therefore recommend ConnectHealth Advisory Council include representation from all healthcare professions included in the plan. We suggest that you include those providers in particular that see patients directly and provide primary specialty healthcare. Actually, we also recommend other providers such as allied healthcare providers to be included in the
determination of how well the healthcare policy is providing overall care to subscribers.

In closing, the CCA appreciates the good work you are doing to bring affordable, science and evidenced based effective health care to Connecticut residents. We are ready, willing and able work with other practitioners to bring good health and well-being to persons of all ages in a safe and effective manner. I appreciate the time you’ve given me and would be happy to answer any questions that you may have.

SENATOR LESSER (9TH): Thank you and thank you for your testimony. We certainly look forward to working with your profession to make sure that you're certainly included as a stakeholder in all of the work that we do and we appreciate you coming. Are there comments from members of the Committee? If not, thank you very much for your testimony. All right next we have Ms. Burton followed by Jonathan Gonzalez-Cruz.

NANCY BURTON: Hello, my name is Nancy Burton. I am a Certified Nurse-Midwife with over 40 years of clinical experience, an educator currently on faculty at the Yale School of Nursing in midwifery, and the Chairperson of the Board of Directors of the Universal Health Care Foundation.

I am testifying in favor of HB 7267, AN ACT CONCERNING PUBLIC OPTIONS FOR HEALTH CARE IN CONNECTICUT. The Affordable Care Act has addressed some of the deficiencies that prevented people from obtaining health care coverage. However, it is quite weak in the affordable part. Too often, I have seen the results of what happens when people cannot access care they can afford. Al was a
municipal bus driver. He developed insulin-dependent diabetes. Because of this, he lost the license he needed for his work. He lost his job, and then he lost his health insurance. His doctor did what he could to help, but Al could not keep up with expenses. He gave up and stopped going for care. Al eventually made it back into care, but by then he was in renal failure and Al died.

Wanda came to see me for healthcare. Five years before she had hand surgery. She was uninsured and she and her family were still paying off these bills. So when she found a lump in her breast, she didn’t tell anyone. By the time I saw her, her right breast had been totally eaten away by cancer and it was spreading to her left breast.

I have a family member with chronic illnesses that keeps her in constant pain and may eventually leave her disabled and possibly lead to an early death. She is self-employed. With a salary of $44,000 dollars per year, she was just over the cut off to be eligible for a subsidy under the ACA. Through the Exchange, she was going to have to pay $632 dollars a month for a plan with a $7000-dollar out of pocket deductible. So, she went without insurance and care until her health limited how much she could work and that brought her income down to a level where she qualified for a subsidy.

Situations like this will not stop if we continue to rely on the private sector to supply health coverage for people. In business schools, students are taught that their first obligation is to their investors. This may be appropriate for business people but as a health care provider, my patients were my highest priority. As public officials, I
think your highest priority is the health and well-being of state residents. Offering an affordable public option is one way you can meet this obligation.

We can do better than we are doing now. We must do better. Martin Luther King once said, “Of all the forms of injustice, inequality in healthcare is the most shocking of them all.” We just need to develop a will to take care of residents of this state. We can do it if you help move us forward and pass House Bill 7267. Thank you for your time.

SENATOR LESSER (9TH): Thank you, Nancy, and thank you for sharing those stories. No matter what we do in this Committee in this building, what this is about is fundamentally about human beings and about lives. It's important to remember that. Are there questions or comments from members of the Committee? If not, thank you for being here and thank you for your advocacy. Next up we have Jonathan Gonzalez-Cruz followed by James Stirling.

JONATHAN GONZALEZ-CRUZ: Good afternoon Members of the Insurance and Real Estate Committee. My name is Jonathan Gonzalez-Cruz. I am a current graduate student at University of Connecticut pursuing a Master of Science in Quantitative Economics as well as the policy coordinator for Connecticut Students for a Dream. We are a statewide youth-led organization that advocates for the rights of immigrants and their families, and today we stand in support of H.B. 7267 with the inclusion of allowing undocumented individuals to be eligible for a future public option.

In the State of Connecticut, there are 130,000 estimated undocumented individuals and because of
barriers set at both the private and governmental level, most of them if not the majority cannot access health insurance which prevents them from being able to access healthcare. In reality, there's only two ways that undocumented individuals can access insurance and that's when you're a full time student at a university, but even then it's extremely expensive, and then two, if you're receiving it through your employer, but even then, once again, unless you have DACA, then it's impossible for you to get it. In turn, this creates both a public health issue if there's 130,000 people who are uninsured, and then it's also an economic issue because uncompensated care is both spread out through the public and private sector.

In turn, we ask that undocumented individuals are included in this bill and we would also like to share a little bit of history. During the ACA, undocumented individuals were actually in a way used as bargaining chips in a bipartisan compromise to receive the votes passed for the ACA and we ask that this Committee and legislators in this state do not do the same thing because we are not bargaining chips and our lives do matter and if we are calling for healthcare for everybody, then that means immigrants too.

So we are in support of the public option with the inclusion that undocumented individuals are included in here as well. Thank you.

SENATOR LESSER (9TH): Thank you, Jonathan. Thank you for your testimony, your advocacy and as far as this Committee is concerned, I don’t think we have any interest in treating you as a bargaining chip
and if there are questions? Yes, Representative Dathan.

REP. DATHAN (142ND): Thank you, Mr. Chairman. Thank you, Jonathan, again for your great testimony. You're such a great advocate. You touched upon that if a student is above age 26 and they're no longer on their parents' plan, then they are eligible to buy health insurance through their university. Approximately how much is that per month?

JONATHAN GONZALEZ-CRUZ: Yeah, so approximately, it's roughly $3000 dollars per year or more so, $400 dollars a month, but that doesn’t take into account in the State of Connecticut, last year we did pass our Institutional Aid Bill which does allow undocumented individuals to apply for institutional aid, but that doesn’t go into effect until 2020 and even right now, we can't apply for any federal aid, we can't apply for any state aid and taking out private loans is extremely unlikely because you need a citizen co-signer and unless you have someone who's willing to sign with you to take out student loans, on top of the $3000 dollars, you're also paying out of pocket $10,000 dollars so it's just, it's very unaffordable right now. And that's what the public option is there for undocumented immigrants too because it would be affordable insurance compared to that option.

REP. DATHAN (142ND): That's great. So how many, so you know some students on this plan. How do they afford to pay for this on top of their school fees both living expenses if they're not eligible to get loans?

JONATHAN GONZALEZ-CRUZ: It's very difficult. I know for myself, when I was doing my undergrad at
Southern Connecticut State University, because I couldn’t afford to pay the $400 dollars a month, I actually tried seeking my own private insurance and then I tried going through Access CT but because there's a question that asks for your citizenship status, I couldn’t even find my own private insurance that I could afford so in turn, it also helps alleviate not being able to access insurance through the Access CT.

REP. DATHAN (142ND): Got it. Thank you very much. Thanks again.

SENATOR LESSER (9TH): Thank you, Representative. Representative Pavalock-D'Amato.

REP. PAVALOCK-D'AMATO (77TH): What was the, where are you getting the $400 dollars a month from?

JONATHAN GONZALEZ-CRUZ: So that is from, I can't recall her name, but she works at the University of Connecticut, the Hartford office, but I could also double check again regarding the price, if it changed from last year to this year.

REP. PAVALOCK-D'AMATO (77TH): So it was you said $3000 dollars [cross talk].

JONATHAN GONZALEZ-CRUZ: Yeah, so it's roughly $400 dollars a month.

REP. PAVALOCK-D'AMATO (77TH): Yeah, do they charge only during the school, I mean 3000 divided by 12 is 250 but do they only charge during the school year maybe?

JONATHAN GONZALEZ-CRUZ: So they charge -- the way that it's set up is you could pay per semester so during one semester you, I remember when I was doing
it, I paid $12,000 dollars during, no, not $12,000, $1200 dollars during the fall semester and then roughly $1600 dollars during the spring semester and then on top of that, if you can't afford a just complete payout, you have to set up a payment plan and even that payment plan comes with its own fee and then on top of that, if you are paying with a credit card, then they charge you 2.5 percent on each payment.

REP. PAVALOCK-D'AMATO (77TH): Okay, thank you very much.

JONATHAN GONZALEZ-CRUZ: Thank you.

SENATOR LESSER (9TH): Thank you, Jonathan, for your testimony and for your advocacy. Next up we have Jamie Sterling followed by Steve Wanczyk-Karp.

JAMES STIRLING: Good afternoon Senator Lessor and Representative Scanlon and members of the Committee who are here and watching from their offices. Thank you all for serving. My name is James Stirling. I'm CEO of Stirling Benefits. We're a third-party administrator in Milford. We design and administer self-funded health plans for medium-sized companies. I'm also a licensed insurance agent, a small business owner and recently chaired Region 5 Board of the Finance Committee.

This session you have a historic opportunity to disrupt a broken health care market and improve the Connecticut business climate. If the State of Connecticut were a corporation, the CEO would be fired if she did not use her leverage to improve health and reduce the costs for her members. In this case, the members are all the residents of the State of Connecticut. Please, though, be wary of
unintended consequences because insurers and plans would be more than happy to dump their sickest members onto any new state program.

Our fractured system, Comptroller Lembo referred to it as failures of the market, practically requires payers to shift costs to others. Insurers offer their best groups a self-funded program called level funding. This shifts costs to employers and takes good risks out of the insured pool, reducing the need to return premium to members under the Affordable Care Act Minimum Loss Ratio rules. To reduce costs, employers sometimes encourage their sickest members to find alternative coverage. We have done that ourselves with the plans we administer.

The promise of 7267 is not just a new plan for those now underserved. It could also disrupt the market to lower costs for all Connecticut residents. In California, as Mr. Kingsdale talked about earlier, CalPERS sets the price it pays for a list of procedures. High-cost providers quickly found ways to lower their fee or they would lose business. Connecticut could pay hospitals on a Medicare plus percentage pricing basis or on their median payment. Either of these transparent options would be better than paying an in-network price based on secret negotiations between the insurance company and the provider. We would not tolerate car manufacturers and car dealers to set prices in secret and then limit data to Consumer Reports or Kelly Blue Book. Connecticut needs price transparency to be a part of any new state benefit program.

In his budget address, the governor correctly stated that there is no correlation between cost and
quality in health care. Building a new state plan that requires hospitals to publish their median accepted fee would help all employers, including municipalities, determine a fair payment level. With transparency, plans could be designed to reward the most efficient providers and share those savings with plan members. The money freed up from price transparency would go a long way toward expanding coverage to all residents.

You have an opportunity to use the states regulatory and buying power to enhance transparency and lower costs to all residents. Done right, you will help all private sector businesses as well as expand access. Done wrong, more cost will shift to either Connecticut's private sector employers or back to the State. Thank you.

SENATOR LESSER (9TH): Thank you for your testimony and it's fascinating actually to hear from a third-party administrator about how we could do this right and wrong and I'm trying to understand that as well because you know we heard some testimony earlier about either the you know the small group part of this was doomed to fail, it would not be able to compete or on the other hand, it would be so disruptive that no private insurer would be able to compete and I just sort of wanted to see how you, what kind of advice you could give us on how to structure it and how you anticipate affecting you know the small group market.

JAMES STIRLING: Well, Representative Dathan had asked one of the other speakers before about what could be done to create plans that would reduce costs because as many of the speakers have said, cost is the issue and I agree with many of them.
You have to get at the 80 percent of the claims, not the 20 percent of administration fees. We're designing plans that reward members for good choices and that's different than most of the plans that are on the market today. Many plans have $150 dollar copay for an MRI so it doesn’t matter if the member goes to a hospital that charges $4000 dollars or the local radiology center that charges $900 dollars. They have no financial incentive. This is United States. If you want someone to do something, you help provide a financial incentive so some plans will say the member pays 10 percent of the cost of the MRI so now, we have to provide a price transparency took so that people will say, oh, it's $400 dollars, 10 percent of 4000 if I go to one provider, it's $90 dollars if I go to another. Those are the kinds of tools that can change behavior and as soon as you create opportunities for members to save money for themselves, they'll do that and the providers who now benefit from an opaque system will no longer be able to say, oh, just go here. Members will start asking well, how much will it cost and if they can find a better deal, they will. That was maybe one example of things that can be done if price transparency is part of any new system.

SENATOR LESSER (9TH): Thank you. That's actually very helpful. Are there questions from members of the Committee? If not, we'll let you go but we have to call on you in the future to lend your input into this. It sounds like you’ve got a lot to offer that might be valuable to this committee.

JAMES STIRLING: I'm very happy to, thank you.
SENATOR LESSER (9TH): Thank you very much. You're welcome. Steve Wanczyk-Karp followed by Brooks Campion.

STEVE WANCZYK-KARP: Good afternoon. My name is Steven Wanczyk-Karp. I'm Executive Director for National Association of Social Workers, Connecticut Chapter, representing over 25 members. You have our written testimony. I just want to highlight a couple of the key points. As an association that represents social workers, many of our members work in small non-profits or have their own private practice so I hear from these workers who contact us seeking to find out if any NASW has a health insurance plan and we don’t have something we can offer nationwide. So we don’t really have much to offer them. We can tell them about the Municipal Employees Health Insurance Plan (MEHIP), we can suggest they try an independent insurance broker, but the reality is for many of our members, it's simply unaffordable to get quality healthcare coverage. And it's really very ironic I think that the individuals that are part of the healthcare system itself cannot afford healthcare coverage that quality service for themselves.

NASW Connecticut until about 2-1/2 years ago was one of those organizations. We're a small non-profit. About 2-1/2 years ago we became national staff. Prior to that, every year I would sit down with my broker and try to figure out what we could afford. We walk the talk so we get good health insurance, but it meant cutting out dental at some point. It meant increasing co-pays, it meant switching companies, and it was really just quite a nightmare.
Social workers work with individuals who struggle to make ends meet and I think there are many hidden social costs that are rarely discussed in this debate. Having the lack of affordable health coverage adds to the financial stress of these clients. It is not only a financial stress though. It is a psychosocial stress of fearing what will happen if a serious health care need occurs. How will one pay for necessary care? What other costs will have to go unpaid?

For parents, the pressure of having an ill child when you do not have the means to pay for doctors, prescriptions and other care can lead to anxiety, difficulty with family relations, and even in some cases, depression. There are real costs with ramifications that go beyond simply health insurance coverage with negative impacts that ripple into many non-medical aspects of life.

As social workers we know that life can change in a second and when that change is a health crisis and comprehensive health insurance is unavailable, the results of that change can truly be devastating. By offering a public option, HB 7267, will not only offer affordable options for health coverage, it may also have a positive effect on the private insurance market. Under our economic system competition is considered to be commonly viewed as a way to increase innovation and reduce costs. Those in the private sector that profess to believe in our economic system should support a competitive marketplace. Clearly, consumers will benefit from increased options and greater choice for health insurance coverage. We strongly urge this Committee to move forward with passage of 7267.
SENATOR LESSER (9TH): Thank you very much, Steve for your testimony and I'm glad to hear that at least the NASW staff now have decent affordable healthcare and maybe we can do something to extend that to other folks. Other questions from members of the Committee? If not, thank you very much.

Brooks Campion followed by Larry Cass and I think Larry Cass is the last person we have signed up on this bill and we would then proceed to the next Bill. Good afternoon, Brooks.

BROOKS CAMPION: Good afternoon, Senator Lesser, Representative Scanlon, Representative Pavalock-D'Amato. My name is Brooks Campion and I'm actually here on behalf of my colleague, Susan Halpin, who usually comes to testify.

SENATOR LESSER (9TH): Brooks, before you begin, I just want to say on behalf of the committee, I know that Susan has had a personal tragedy and I think on behalf of the Committee leadership we extend our, our very best wishes to her and to her family at this difficult time and we appreciate you coming before us on short notice in her stay.

BROOKS CAMPION: I appreciate that very much. You're all very kind and I'm sure Susan will appreciate that. I'm here on behalf of Susan, on behalf of the Association of Connecticut Health Plans and the member companies Aetna, Anthem, Cigna, Connecticare, Harvard Pilgrim, and United and you have a great deal of testimony this afternoon on this bill, but on behalf the association, I'm here to express some of their concerns with some of the myriad healthcare reform proposals currently before the legislature. While we share the care of reducing costs, and we've heard that loud and clear
today in testimony and over the years, we believe that it should be done by building upon the progress already in Connecticut, not by starting over. Everyone in this state deserves access to quality, affordable healthcare coverage, but these proposals forge a path towards single-payer healthcare that will likely limit peoples' choices while increasing taxes and ballooning the budget. When we refer to a public option, we include proposals to open the State Employee Partnership Plan, create a husky buy-in and/or any other state government run subsidized proposal that can keep the private market. While we appreciate the growing frustration with health insurance cost, the unintended negative consequences associated with public option proposals, these public option proposals far outweigh their benefit.

It's important to understand and we know that you’ve heard this today and throughout, that the vast majority of today's premium dollar goes directly to supporting reimbursement of physician, hospital and other treatment providers. Without changing the underlying cost structure reimbursement, which will require reducing provider payments, subsidizing those costs of both, the cost of healthcare coverage will continue to rise. Unless such reductions are done strategically, downward pressure on provider rates for one sector of the uninsured will simply increase costs for another sector going forward. This dynamic is known as a cost shift and is a well-documented phenomenon within market pricing.

In addition, subsidized programs can result in adverse selection. That is when poorer risk groups with higher healthcare costs enter a particular program, while healthier groups of lower cost abstain continually driving down the need to
increase the subsidize, a cost ultimately borne by the taxpayers, both citizens and businesses. Significant cost shift combined with a continually shrinking commercial risk pool will destabilize the current commercial market potentially leading to its collapse, eliminating choice in the market that is important to business and individuals alike.

Respectfully, we encourage that state policymakers work with all the stakeholders, the Connecticut Association of Health Plans would be grateful to be one of those stakeholders, providers, businesses, advocates, regulators and the exchange, to address today's cost drivers while promoting policies to support value-based healthcare. Millions of people rely on employer-sponsored health insurance and they want to keep their coverage. When the free market and public programs work together, we can bring the big costs down for everyone. Thank you for your consideration.

SENATOR LESSER (9TH): Thank you, Brooks and I guess the message that I would hope, you know, I think we're looking at this bill in a sense out of frustration that there hasn’t been enough, not enough competition in the market. There haven’t been enough participants in the market to help do what the market is good at doing which is maximize efficiencies and drive down costs and so you know I think this bill is an attempt to try to address some of those and try to do so in a way that is sensitive to the important role that the insurance industry plays in Connecticut, and we're looking at other proposals on the agenda today as well as ways to try to figure out how we can maximize competition and leverage the market.
Now you spoke about the cost shift and the dangers of subsidized plans. I don’t see a specific subsidy in this bill. I know that there's specific concerns about potentially hidden subsidies that might be in the Comptroller's, the State Employee Plan. You also spoke about the dangers of a Husky buy-in as you see it. If we were to offer a qualified health plan that's not a Husky buy-in that's tied to like a different model, I think that's what anticipated in the individual part of that, is that something that the industry has concerns about or is that?

BROOKS CAMPION: And I admit my limitations here are tremendous to put it mildly so I would appreciate the opportunity or I imagine the carriers and members of our association would appreciate the opportunity to speak in greater detail about that because I'm afraid I do have some shortcomings in that area.

SENATOR LESSER (9TH): That makes all the sense in the world and we're not going to ask you to play the role that Susan would and that makes sense.

BROOKS CAMPION: But they would love to be a part of this component that is referred to as a big table for discussion and I hope that table is as big as you can make it.

SENATOR LESSER (9TH): Absolutely. I appreciate that and I would open it up now to any members of the Committee with any questions? No questions? Okay. Well thank you very much, Brooks, and good to see you.

BROOKS CAMPION: Thank you for your time.

SENATOR LESSER (9TH): Next up we have Larry Cass.
LARRY CASS: Good afternoon, how are you?

SENATOR LESSER (9TH): Good afternoon.

LARRY CASS: Thank you for your time today. I have not submitted my written testimony yet but I'd be happy to leave a copy if you'd like. Thank you for the opportunity to testify regarding proposed bill HB 7267. My name is Larry Cass and I have been an employee benefit broker and consultant in Connecticut for over 25 years and I know the marketplace very well. I realize that there are many different options and positions to this bill so I'll keep my comments short and to the point.

My overarching belief has been and will continue to be researching, planning, and implementing affordable healthcare plans for my clients. For too long now, ever-increasing healthcare costs have negatively impacted both employers and employees and I applaud your efforts of the Comptroller and this Committee to find a way to reduce and control these costs and provide affordable, well-structured insurance coverage for employees of Connecticut companies. However, in this era of increased transparency, I would like to understand how these rates are calculated and what the underwriting methodologies are.

Are the premiums currently being paid by my municipalities and the partnership program and then this potential program for smaller companies in Connecticut able to support themselves and their underlying claims on their own? Can these programs stand on their own or are they being subsidized by taxpayer dollars? As I said above, I applaud the effort to find affordable well-designed health insurance for every Connecticut resident, but I urge...
to allow the transparency to the cost and underwriting methodologies of the programs. If the programs are able to stand on their own and are more efficient, that will be very clear. However, if they are being subsidized by Connecticut taxpayer dollars, shouldn’t we all be aware of it. It still may very well be the correct thing to do, but let us all be transparent in the process. Thank you for your attention.

REP. LESSER (9TH): Thank you for your testimony and I appreciate your concern on the partnership plan and I'm certainly not aware of any subsidy, but, yes, Representative Scanlon?

REP. SCANLON (98TH): Thank you, I would just say I think that's part of the reason that we went -- the bill is structured that he has to come back to us and present us with a plan because I think that we want to get feedback from folks like yourself and other stakeholders across the state as to what the rates are, the plan benefit design looks like, all those things that are very valid questions and we just don’t have the answers to, but he's going to spend, if this bill passes in the next year, studying and then come back to us with a plan.

LARRY CASS: Okay, thank you and I look forward to the process very much.

SENATOR KELLY (21ST): Thank you very much for being with us today and sharing your experience in what you do on a daily basis. I agree with what you mentioned and at least preliminary data on the partnership plan is that the claims and costs exceed the premium and the trend is going up in excess of what is being at premium and even the Comptroller's projection is maybe let's say 8 percent per premium
increase when the trend is more along the lines of 12-17 percent so these are problems when you look at how are we funding the partnership plan, that if we add more insurance like plans, because it's not insurance, who is ultimately going to be carrying the bag and we need to be square with those individuals that are carrying the bag and that's the Connecticut taxpayer who already has a financial burden that is very difficult to carry. It's really hitting middle class families in a very difficult and hard way and we should think long and hard before we have any added burden on those individual so thank you for coming and thank you for bringing this issue forward.

LARRY CASS: My pleasure, thank you.

SENATOR LESHER (9TH): Thank you, Senator Kelly and I apologize, Senator Kelly for not recognizing you. Good job taking the initiative. Any members of the Committee have any questions? If not, thank you for testimony. Bye-bye. That concludes the list of public people we have signed up to testify on 7267, but wait, there's more. We have other bills up for consideration today. Senate Bill 984, Linda Ross followed by Leslie Connery. Good afternoon. Press the microphone, I'm sorry.

LINDA ROSS: Good afternoon, Chairman Lesser, Chairman Scanlon, and other members of the Insurance and Real Estate Committee. My name is Linda Ross and I live in Norwalk. I’m the legislative and media contact for Christian Science in our State. I am here to testify concerning Senate Bill 984.

Late last year, Congress enacted legislation broadening the scope of the ACA to religious conscience exemption to individuals who rely solely
on a religious method of healing to the extent that they do not use medical health services during the taxable year for which they are claiming the exemption. The amendment language I am asking this Committee to consider is modeled on this change to the ACA. It is also very similar to language that has been in effect in Massachusetts since 2007.

Nearly two thousand years ago, the Apostle Paul, modeling his life after Jesus, wrote that to be spiritually minded is life and health. Like many others who have sought spiritual solutions to life’s problems, I have found this statement to be true. Christian Science is a Christian religion founded in the late 1800s. Its teachings include a system of religious non-medical healing. I first became aware that prayer can result in physical health and wellbeing 45 years ago as a student in a nursing college. I was involved in a serious automobile accident shortly after I began the study of Christian Science. When I regained consciousness after the accident, my head was bent on my chest and I was unable to move, but I actually didn’t feel afraid. Instead, my first thoughts were what would a Christian Scientist do? Well they would focus on God instead of the problem. So I began to ponder familiar Bible verses and I then found that I was able to move again. A few weeks later, I had some x-rays taken by my family doctor in connection with a release of liability. My doctor found that although I sustained vertebrae damage, it had healed in such a way that I had not suffered any physical impairment.

The Christian Science Church does not dictate the health care choices of its members. Christian Scientists, like everyone else, are free to seek
medical care or have health insurance coverage as I do. However, my first resort of healthcare or anything else in life has been and continues to be prayer. The individual mandate in this bill would require individuals to purchase health insurance coverage that does not cover the type of care upon which they have come to rely, while also paying out-of-pocket for the type of care they do use. For this reason, I'm asking this Committee to consider an amendment to this bill that would its religious conscious exemption into line with the current version of the ACA. Thank you for your consideration. Any questions?

SENATOR LESSER (9TH): Thank you, Linda, for your testimony and that was superb timing actually. I think Representative Scanlon has a question.

REP. SCANLON (98TH): Good to see you. So one of my constituents, Mary Beeman, who you and I have met with before.

LINDA ROSS: Your second mother, yes. [laughs]

REP. SCANLON (98TH): Had emailed me yesterday and I sent her back per talking to our LCO and OLR that as the bill is currently drafted, they believe that it is in line with the current religious exemption at the federal level, and I can forward this to you but it says that section 38A-1084 of the General Statutes, as amended by this Act, because such individual has not certified that such individual is a member of a recognized religious sect or division therefore, in section 14 of the Internal Revenue Code so I think that they are saying that it is up to date, but I know you're not seeing this for the first time so I can send it to you and --
LINDA ROSS: Well actually, I got the same email from Mary yesterday and I did talk to my legislative counsel, Leslie Connery, who's coming up right after me and she can answer your question in specific detail.

SENATOR LESSER (9TH): Okay. Well we'll look forward to that then. Okay, thank you. Are there questions from members of the Committee? If not, thank you for your testimony and we'll ask that question of Leslie.

LINDA ROSS: Thank you.

SENATOR LESSER (9TH): Leslie Connery.

LESLIE CONNERY: Good afternoon, Senator Lesser, Representative Scanlon, and members of the Insurance and Real Estate Committee. My name is Leslie Connery and I'm Government Relations Counsel for The First Church of Christ, Scientist. I also support Linda Ross in her work and the one thing I really want to be clear about is that we neither support nor oppose the creation of an individual mandate here in Connecticut, but if an individual mandate does go forward here, we would like to see that mandate include a religious conscience exemption that is consistent with the current version of the Affordable Care Act. Briefly, in answer to the question by you, Representative Scanlon, actually, the current version of this bill doesn't include the most recent change to the Affordable Care Act and actually, the church of which I'm a member, I'm a practicing Christian Scientist, we are not a religious sect describing in section 1402 G1 of the Internal Revenue Code, primarily because we do not have any doctrinal beliefs that are opposed to the receipt of insurance benefits. There are a small
number of groups that do such as the Amish and the Ebionites but our religious group is not part, is not one of those groups; however, the recent change that was made to the ACA does accommodate Christian Scientists and we think it was a very modest expansion of the Affordable Care Act's religious conscience exemption and we think that it serves both the ends of supporting religious freedom and religious practice, and also that it contains safeguards against fraud and abuse. And very simply, the new religious accommodation that was added to the Affordable Care Act, it works basically the way that the existing religious conscience exemption in Massachusetts in which it's retroactive when you're filing your taxes for that tax year, if you wish to take the exemption, you basically report that you're claiming the exemption because of your religious beliefs and you haven’t used medical health services in that year. And this particular religious conscience exemption has been in effect in Massachusetts since 2007. We have not heard that it has been the subject of fraud and abuse. We have heard though that it's very, very low volume usage. There's limited public information which I cite in my written testimony that shows that the use of this religious conscience exemption in Massachusetts is very low. I did submit written testimony explaining the background behind passage of the amendment to the Affordable Care Act. I'm not going to go on and on about this, but we would like to see this bill updated to align the religious conscience exemption with current federal law. Thank you so much for your time.

SENATOR LESSER (9TH): Thank you, Leslie, for your testimony. Representative Scanlon?
REP. SCANLON (98TH): Thank you, Senator, and I will take a look at your testimony, Leslie. I'm sorry I haven't seen that before now, but I personally am more than fine to try to accommodate you know what is in the current ACA as amended by whatever act you're talking about and we will look into that, but if you can, if it's not in your testimony specifically cited, if you guys could send that to us via email, the specific citation of the federal law, we would certainly appreciate that.

LESLIE CONNERY: It is actually, it's included. It's attended to Linda's testimony and cited in mine.

REP. SCANLON (98TH): Thank you so much.

LESLIE CONNERY: Thank you very much.

SENATOR LESSER (9TH): Before you go, I have one quick question and one of my colleagues may have one as well, but my understanding is that Connecticut like many states has a Religious Freedom Restoration Act on the books. I don't know how this statute would interact with our existing law regarding a certain amount of leeway to you know religious beliefs that are adhered to for that.

LESLIE CONNERY: Well to be perfectly honest with you, let me be the first to say that I am not a constitutional law expert. [laughs]

SENATOR LESSER (9TH): I'm not either.

LESLIE CONNERY: Yeah, my background is in federal healthcare policy, but I can tell you that this particular -- you know in terms of my denomination and why this particular, why this particular provision is important to us, it's because
compliance with law in general is important to the members of my church. It was written about by the founder of our church and I know that this particular version of the individual mandate bill has a provision that would not impose a penalty, yet it would subject, there would be basically a phase II where there would be a study performed to determine what would happen, how the individual mandate would be best enforced and certainly, if that is the case, we will be engaged in that process but I think we're here today because if there is a mandate imposed, just having that law on the books would be of concern to us or to Christian Scientists who really do have sincere religious beliefs that are opposed to maintaining conventional health insurance coverage. I hope that answers your question. I'm not really sure that it does, but as I said, I am not, I would hesitate to opine on how Religious Freedom Restoration Act would affect this proposal.

SENATOR LESSER (9TH): No, I think that, that was very helpful. Representative Delnicki?

REP. DELNICKI (14TH): Yeah, thank you, Senator. Thank you, Chairman. I just want to commend both of you for coming here again this year. I know this is a major concern, the concept of freedom of religion and how it should work with your healthcare and again, I commend you for coming here today. I commend you for again advocating for that and needless to say, I'm sure that the Chairs and the Committee will find out whether or not it currently is something that should be covered and if not, I'm sure that we'll end up coming up with something that will make sure that it is. Thank you.
SENATOR LESSER (9TH): Thank you, Representative. Any other question or comments from members of the Committee? If not, thank you for your testimony. Next, we have on Senate Bill 981, Joe Doherty, from the Self-Storage Association. Following Mr. Doherty's testimony, we will be going to 980 where we will hear from Jim Burleson.

JOE DOHERTY: Good afternoon, Senator Lesser and Representative Scanlon and members of the Committee. My name is Joe Doherty. I'm the senior vice-president legal and legislative counsel for the National Self-Storage Association.

Senate Bill 981 provides a program for self-storage owners to offer insurance for their customers. This practice is similarly used in industries such as travel, rental cars, and portable electronics, cell phones, laptops, things of that nature. Approximately 50 percent of storage tenants are in transition, for example, moving to new houses, maybe downsizing after a divorce or returning from college or military service, and do not have a homeowner’s or renter’s coverage that would apply to their stored property.

Stand-alone insurance coverage for stored property is not typically offered by insurance agents because the commission payments are low. Thirty-one states have solved this gap in available coverage by permitting storage owners to offer storage insurance to their tenants. These policies are underwritten by companies such as AIG, Great American, and Hanover. Monthly cost typically range about $10 to $20 dollars a month with, I know there's quite a bit of discussion today about deductibles. The
The deductibles on these policies are either 0 or $100 dollars.

The Self-Storage Association supports the creation of a limited license for self-storage operators in Connecticut to offer this insurance. As part of my prepared testimony to the Committee, I submitted some technical changes to the bill that address the use of the word policy. It doesn’t typically, you know policies are usually issued on a master basis and the self-storage customer is actually getting a certificate, really just minor technical cleanup.

And then finally, we have spoken with the Department of Insurance and will continue to work with them about this bill as it moves through the legislative process. Thank you for the opportunity to address you today and I welcome any questions you may have.

SENATOR LESSER (9TH): Thank you very much for your testimony and it's your understanding that any of these products would be regulated by the Department of Insurance?

JOE DOHERTY: That's correct, Senator, yes.

SENATOR LESSER (9TH): Thank you very much. Are there questions? Yes, Representative Scanlon.

REP. SCANLON (98TH): And this was probably in your testimony, but how many states did you say have laws on the books doing this?

JOE DOHERTY: Thirty-one states including Massachusetts, New York, New Jersey, several others in the northeast.

REP. SCANLON (98TH): Okay, thank you so much.
SENATOR LESSER (9TH): Thank you, Representative. Any other comments or questions from members of the Committee? If not, thank you for coming up today. Next up, we have Jim Burleson and then following Mr. Burleson, we will be skipping ahead to House Bill 7268 and hearing from Jim Perras.

JIM BURLESON: Thank you, Senator Lesser, Representative Scanlon, members of the Committee. My name is Jim Burleson. I'm here today on behalf of two national trade associations that sell voluntary vehicle protection products throughout the country, to testify on Senate Bill 980. As I understand it, the bill is currently drafted as a task force to study the industry so we're here sort of in a conceptual discussion capacity to talk about how these products are regulated nationally and about how that could be implemented here in Connecticut, and hopefully without the need for a task force since there is a model that could easily be implemented.

Just to give sort of a high level overview of the products our members offer, the Guaranteed Asset Protection Alliance is a group of about 40 companies that offer GAP waiver products, which essentially is a contract that promises in a situation where a vehicle is financed, that the lienholder will waive their right to collect a certain amount that the owner of the vehicle would be responsible for in the event that it's declared a total loss. On the motor vehicle protection products association side, our members offer two subsets of products. The first are actually regulated under Connecticut's extended warranty today, though not expressly authorized. These are tire and wheel contracts, windshield repair replacement contracts, paintless dent repair,
and key fob replacement when lost, stolen or inoperable.

The other product that we offer is a vehicle protection product designed to prevent the theft of a vehicle or aid in its recovery. That comes with a warranty associated with it that promises to pay a benefit if the product fails to perform as specified subject to regulation under Federal Magnuson-Moss Warranty Act. What our legislation would look to do is to make sure that all these products are treated uniformly like they are across the country and in the majority of the states is not insurance products, but are still subject to some regulation by the insurance regulator. That's the case with the service contract products today like the PDR, the windshield, the tire and wheel, the key fob, they're just not expressly authorized in statute so we want to crystallize that view.

This bill also has some important consumer focus disclosures for these products ensuring that consumers have a right to cancellation that actually does not exist in the statute today, both in the existing extended warranty law and the lack of a GAP waiver law. It would also give consumers important disclosures about coverages, deductibles, things of that nature under the service contract or GAP waiver product and would also ensure that the products are optional.

With that, you know I'm limited on time and there's a lot of points in this legislation so I just wanted to hit the high points, but I'm happy to answer any questions you have.
REP. SCANLON (98TH): Thanks, Jim. So how many states have some sort of regulation like this on the books? Do you know?

JIM BURLESON: So I kind of need to bifurcate the two. GAP is a different trade association. That is 21 states have put in place a model act or some variation of the model act, while others have issued opinions that they agree with the concept that a model act would have on passing statute. On the side, at least 30 states plus the District of Columbia have all or some of these products. The highest is for PDR, there's 37 states plus the District of Columbia that have authorized this service as a service contract.

REP. SCANLON (98TH): Got it. You know it's not something that people probably sit up at night thinking about, but when they do lose them, I'm sure it is something that insurance does come in handy. Is that your experience that sort of people after the fact when they've got to replace a key fob or something else like that, an ancillary product, do they wish they had the insurance? Is that something in your experience?

JIM BURLESON: Well respectfully, it's a non-insurance product just to be clear, I want to make that distinction but certainly, and the problem is, the reason I make that distinction is that although some insurance policies offer this type of coverage, the replacement of a key or a key fob, while expensive, tends to be under the policy deductible so despite having the coverage in their policy, more often than not, they're left paying it out of pocket anyway.
REP. SCANLON (98TH): Got it. All right. Any questions from the Committee? Seeing none, thank you so much.

JIM BURLESON: All right. Thank you for your time.

REP. SCANLON (98TH): All right. We are on 7268. Jim Perras?

JIM PERRAS: Thank you, Chairman Scanlon, distinguished members of the Insurance and Real Estate Committee. My name is Jim Perras. I'm the CEO of the Home Builders and Remodelers Association of Connecticut and today I have with me, Mr. Bob Wiedemann who is a long-time chair of Government Affairs Committee and owner of Sunwood Development Company. He is one of our resident experts on remodeling issues.

You have my written testimony so I'll take this opportunity to summarize and answer any questions that you might have. The HBRA asks the Insurance and Real Estate Committee to oppose House Bill 7268, as it is currently written. If House Bill 7268 is enacted as it is currently written, we fear it would disadvantage law-abiding contractors while growing an underground home improvement market further jeopardizing unsuspecting homeowners.

So ultimately, we believe the bill that focuses on catching unregistered bad actors and educating the public on how to be savvy consumers would be a much more effective at protecting consumers from unscrupulous actors. With that said, the HRBA does have a few provisions in the bill that it doesn't take exception to and those are Section 2, paragraph 2 which prohibits contractors from paying a homeowner's deductible to induce work, Section 3
which requires business name changes to be recorded with DCP within 30 days, and Section 5 which includes a more detailed application for registration process as long as DCP's recommendations are included.

With that being said, we find the following provisions of the bill to be particularly harmful to law-abiding contractors. Section 2 paragraph 1 eliminates a contractor’s ability to collect more than 50 percent up front. For contractors that work with custom materials, where the materials themselves make up the vast majority of the cost and labor is a small percentage of the overall cost, this could be really problematic. Section 2 paragraph 3 eliminates the contractor’s ability to advertise offering incentives such as coupons or prizes. We think this is somewhat heavy-handed and we question whether it unduly infringes on commercial speech. In addition, we have a number of large retailers who are our members you know and other entities such as large big-box hardware stores whose business models would be dramatically impacted by this provision. At the very least, we suggest that this ban only apply to unregistered contractors.

If I could just make a couple of more points. Section 4, paragraph 1 requires a contractor to maintain adequate insurance. We have no issue with that. We do want to make sure that customary aspects of the industry are taken into consideration. For example, most single or sole providers or business owners with no employees typically wouldn’t have Worker's Comp insurance and to require them to do so would be an unduly and problematic scenario in which they would be further
disadvantaged compared to their nonregistered counterparts.

And lastly, I just want to really mention the provision in section 7 that states in essence that credit card options be provided to homeowners. You know, transaction fees can cost up to 3 percent of the net profit of a contractor, you know and when competing against underground contractors with little or no overhead who don't pay registration fees or assessments, this would serve only to widen the disadvantage already felt by law-abiding contractors. I'll leave it at that and make ourselves available to answer any questions.

REP. SCANLON (98TH): Thank you. So, I'm trying to wrap my head around this bill in that I can see both sides of it because my dad was a cop that was shot in the line of duty and then my dad had a second career and unintentionally become a house painter and so when I was growing up, I would always see him doing jobs and he'd have a crew with him and you know it was difficult work, but some of the things in this bill are hard for someone like that and I'm sure for your guys to contend with, but there is a consumer protection standard there.

So is there anything in this bill that you do think is on the right track that maybe with a little tweak could go in the right direction?

JIM PERRAS: Um, sure and I highlighted those in the beginning of my testimony. Really the section 2, paragraph 2 which prohibits a contractor from paying a homeowner's deductible. Certainly we think that's a little bit shady and on that path. Section 3 which requires business name changes to be recorded with DCP within 30 days, A okay, and certainly
section 5 that requires a more detailed application process, again if you take into account DCP's changes and concerns.


REP. VAIL (52ND): Thank you, Mr. Chairman. Good afternoon.

JIM PERRAS: Good afternoon.

REP. VAIL (52ND): You know in reading this, this appears to me we're trying -- there's a couple of bad actors out there that don't follow the rules and then we're trying to paint this whole industry with a broad brush you know to make up for that, and the people that do things the right way are going to get caught up in this legislation if it were to pass. Is that kind of the way, that's kind of how I felt your tone was, you might not have been as direct about it, but is that how you feel this would affect your industry?

JIM PERRAS: Absolutely and thank you for the question, Representative Vail. I think ultimately the folks are the unscrupulous, untoward individuals who are unregistered without insurance are not caught up in this bill whatsoever. What you're doing is making it more difficult for the registered and insured contractors who exist today to compete against those individuals and we think, and by virtue of that, potentially the unintended consequence here is that you're going to drive more business to the underground market, which currently comprises about 40 percent of all home improvement work that is done today, so it's a large group of folks who are law-abiding are competing against and
certainly we think that this wouldn't help but might actually exacerbate the problem.

REP. VAIL (52ND): And I can certainly see that. Now, how much cost-wise would this affect you know contractors profit-wise?

ROBERT WIEDEMANN: Sure I'm happy to talk about that. Probably one of the biggest concerns, as Jim said, is 40 percent of the contractors are working underground now because they either don’t want to or don’t know how to comply. The 60 percent of us who are trying to do it right, and I'm going to guess just off the top of my head, half of us are still not doing it right because it's so onerous, the regulations that we would have. There was some testimony by Commissioner of Consumer Protections who said they're having difficulty even enforcing what they already have on the books. To add additional layers for them to oversee is very difficult.

It's hard to put a number on it, but I look at this, and I'm very active and involved and I understand the legislation and I still have to have my attorney review my contract on a regular basis to make sure I'm still in compliance all the time. It's just very difficult. I can't even tell you a dollar amount, but it's just very small contractors to keep track of that.

REP. VAIL (52ND): But it would be significant enough to change your bottom line. So then either you're going to have to pass it on to your customers to try to keep your profit margins the same, or you're going to have to eat to compete with the people who aren’t hitting those guidelines to begin with.
ROBERT WIEDEMANN: That's the biggest fear is those incentives not to do it right because you don't have all these costs.

REP. VAIL (52ND): Yeah, I see where you're coming from. Thank you.

REP. SCANLON (98TH): Any further questions? If not, thank you gentlemen, appreciate it.

ROBERT WIEDEMANN: Thank you.

REP. SCANLON (98TH): All right, 7260, Brian Lowell.

BRIAN LOWELL: Good afternoon, Chairman Scanlon, members of the Committee. Thank you for allowing me a few minutes this afternoon to give my testimony for HB 7260. My name is Brian Lowell. I'm an Employee Benefits Consultant for ACBI Insurance. We are an Insurance brokerage based in Shelton, Connecticut, specializing in health insurance and employee benefits for Employers in not just Connecticut, but other states across the country.

My specific role at ACBI, I've been in the business for 16 years and for the past seven, I have acted in a consultative capacity with clients to oversee strategy, service and plan management. Some of this work at a prior employer has included work on a Connecticut private school health plan, which I'm going to get into a little bit later, but it does pertain to this bill.

In summary, ACBI, my company, in coordination with the Connecticut Brewers Guild is exploring the creation of a singular health insurance program for their membership. We are seeking to do so through creation of a fourth exception to the Connecticut small employer definition, thereby excluding members
of the guild from the small employer community rating law. We will create an ERISA-defined plan with bi-laws specific to the health program to protect membership and maintain consistent risk from an insurance underwriting perspective.

Eligibility for this proposed plan will be tied to the membership of the Guild and other parameters set forth by their Board. The goal is to create this exception and not change the Connecticut Law on Association Health Plans, based on specific criteria for a small but very thriving workforce. There are a finite number of breweries in Connecticut with specific occupations and low risk factors.

In addition, we believe that the Brewers Guild is unique due to its young demographics, low turnover and commitment to health and wellness among their employees. An important point, which comes back to the private schools, is that this is not setting precedent. There is already an exclusion among the small employer law for Connecticut Independent Schools that was put in place over 20 years ago, and I do have personal experience from a prior employer working on those financials and can tell you that there is significant savings by scaling up if you will in the insurance marketplace.

Overall, we feel that implementing this health plan will allow this industry to continue to thrive and grow by lowering insurance costs, creating access to better and more cost effective health coverage, and attracting and retaining a more stable workforce. We feel this will be done with minimal impact to the Connecticut small group insurance pool and individual marketplace. As of the last rate filing in Connecticut, I just have another minute, as of
the last rate filing in Connecticut, there were approximately 293,000 members in both the small ground insurance pool and individual marketplace. We're talking about let's call it 1000, maybe 1500 employees which would represent less than half a percent of that population. So in my professional opinion, I do not think this will have any impact on insurance rates in either marketplace going forward.

Further to that point, we also believe this is going to become a sound alternative to those who may be priced out of the individual marketplace altogether and may have otherwise forfeited the chance to have insurance coverage, especially since in 2019, the individual mandate has gone away. We do feel this will have an immediate pricing impact, but also create long-term financial stability. A perfect example of this is Two Roads Brewing Company in Stratford. For years when they started back in 2012, they were subject to both individual marketplace rates and the small group pools, but then as a few years ago, they entered the large group or over 50 marketplaces and they saw their immediate cost savings of 15 to 20 percent, and in the four subsequent years after that, they have also seen no increases over 5 percent and therefore, have been able to pass on virtually no increase to their employees over that time.

REP. SCANLON (98TH): Brian, just jump in with a question here.

BRIAN LOWELL: Yep, of course, that was it.

REP. SCANLON (98TH): So how many members are in the Guild right now?
BRIAN LOWELL: There's several thousand employees, members of the Guild. There's 80 breweries in the state with another 20-30 that are going through the process right now. Of those, let's call it 4000 to 5000. Probably, the majority are part-time. Therefore, leaving about 1500 full-time eligible employees.

REP. SCANLON (98TH): And of the 80, you know outside of the Stony Creeks and the Two Roads, you know most of them are small, maybe 5-10 or less employees?

BRIAN LOWELL: I would say about 5-25 employees so this really, the only brewery in the state that's over 50 is Two Roads. Stony Creek is about there and you've got Thomas Hooker up in Hartford that's been around for a while.

REP. SCANLON (98TH): So most of them on their own certainly would have nowhere near the leverage and the buying power than an entire Guild would have, correct?

BRIAN LOWELL: Correct. They're all subject to the same small group increases that everybody sees every year in that double-digit range.

REP. SCANLON (98TH): Okay. And how many of the 80, what percentage of the guild has sort of given you a commitment that they would sign up for this plan if you guys were to get us to pass this?

BRIAN LOWELL: Correct. The vast majority that we have and that's just the ones that -- everybody that has responded to our request for information has said they would participate.
REP. SCANLON (98TH): Okay. and then what are the three other exemptions that are right there. I know you said the schools, but what are the other two?

BRIAN LOWELL: Really sounds MEHIP, the municipal employer program, yeah, I have the actual, an expert from the law here. It does not include any municipality association of personal care assistance or community action agency purchasing healthcare coverage through MEHIP, which is the Municipal Employee Health Insurance Program, any non-profit organization purchasing health insurance through MEHIP unless the Secretary of the Office of Policy and Management and the State Comptroller ask the Insurance Commissioner in writing to deem the non-profit organization a small employer for purposes of health insurance or private schools.

REP. SCANLON (98TH): Thank you, Brian. Any questions from the Committee? Representative Vail.

REP. VAIL (52ND): Good afternoon. So you want to be excluded from this so that you can purchase, so all the breweries can get together and purchase a plan outside and you don’t want the restrictions, is that?

BRIAN LOWELL: Correct, so basically, the Guild's, using the Guild's membership with breweries that are members of the Guild to create a health plan built around members of the Guild and those members' employees.

REP. VAIL (52ND): Okay and you know why, why should we allow this for the Guild when there's so many other small businesses? Is it because they're not choosing to do it and you're being proactive or what would be your reasoning behind it?
BRIAN LOWELL: Yeah, I certainly can't speak to other small business owners and what they've done in the past as far as taking these steps in front of you today to look at something like this. You know I think associations in general, I mean that's, that's moving a much bigger thing than what we're trying to do. Breweries are unique in that they have a very stable workforce, I think a very, I don't want to steal any thunder from the people speaking after me, but a very loyal workforce, a very young workforce, growing and they are committed. We do, my firm does happen to represent Two Roads so we have seen that progression first hand and they have a wellness program in place and they're very committed to health and really, not only seeing that cost savings, but keeping costs down through those various programs. I mean I certainly like the concept and like the idea and I think it's very proactive and a good approach. I have just concerns with carve outs [cross talk]. It's a very specific carve out, but then applying those other sometimes burdensome rules on small businesses to people who know the industry so that's where my biggest concern lies but certainly looking forward to hearing more testimony.

REP. VAIL (52ND): Thank you.

REP. SCANLON (98TH): Any further questions?
Representative Delnicki.

REP. DELNICK (14TH): Thank you. And thank you for your testimony on that proposal, it's quite interesting. Do you see a carve out like that actually helping your industry grow and perhaps fueling additional members and additional breweries?
BRIAN LOWELL: I can't speak to the -- actually the Executive Director of the Guild will be speaking after me so he might be better to field that growth question --

REP. DELNICK (14TH): Which is fair.

BRIAN LOWELL: But in, you know we've been obviously in contact with most of the members of the Guild and have polled them on insurance and things like that and it's pretty split between those that offer insurance, those that don't. Some have kept employees part-time because they haven't been able to offer insurance to those folks to keep their costs down because the small group marketplace is getting pretty unaffordable, and they are very looking forward to this potential option. As far as growth, I don't know if that's going to spur somebody to open up a brewery and add staff just because they can [cross talk].

REP. DELNICK (14TH): Right, more an expansion.

BRIAN LOWELL: Correct.

REP. DELNICK (14TH): And you’ve given me a reason to stop by Connecticut Valley Brewery and find out where they stand on the issue.

BRIAN LOWELL: There you go.

REP. DELNICK (14TH): Thank you, Mr. Chairman.

REP. SCANLON (98TH): Thank you, Representative. Any further questions? If not, thank you, Brian.

BRIAN LOWELL: Thank you.

REP. SCANLON (98TH): Phil followed by Mike Teed.
PHIL PAPPAS: Good afternoon co-chair Senator Lesser and Representative Scanlon, members of the Insurance and Real Estate Committee. Thank you for the opportunity to submit testimony for House Bill 7260. My name is Phil Pappas, the Executive Director of the Connecticut Brewer's Guild and resident of Milford. I'm here today on behalf of the Connecticut Brewer's Guild, leading organization at protecting and promoting our independently owned Connecticut craft brewers. The Brewer's Guild, Connecticut brewers and I are in support of this legislative proposal excluding beer manufacturers, their employees and dependents of their employees from various provisions in the insurance state statues concerning small employer insurance coverage.

The Connecticut Brewer's Guild would like to be included as a fourth exception exclusion from the small employer definition, and thereby excluded from the small employer community rating. We suggest that the definition set should be the following: A brewery in Connecticut securing health insurance through an insurance program sponsored by the Connecticut Brewer's Guild. Craft brewer industry is unlike any other. It's a brotherhood and sisterhood where we all share one commonality. We're all competitors, yet the comradery between all of us is unparalleled. We support one another every day by sharing industry knowledge, equipment, ideas, recipe ingredients, when one might be in need, collaborating to brew beers and banding together at Guild meetings on a quarterly basis.

We currently operate over 85 tap rooms employing nearly 5000 total people statewide, produce over 166,000 barrels of beer, and those numbers are
continuing to grow every week. As stated before, we do have another 20-30 breweries that are in the pipeline right now applying for permits and building facilities. We are also seeing out-of-state beer manufacturers as a destination to build their second locations, and we are also seeing breweries in state build second facilities within the state as well.

The proposed legislation will allow Connecticut Craft Brewer's Guild members to establish a group health plan to provide local brewers a strong incentive to stay in Connecticut and maintain health insurance. The bill comes at no cost to the state and simply allows these workers to form a small and defined pool for health insurance coverage. In 2019, residents will no longer be required to have health insurance or pay a penalty. Those brewery employees who are young and/or on the individual exchange would no longer be required to carry insurance. Therefore, would potentially be leaving said groups, small employer rating pool or individual exchange pool regardless of a brewery's association or not. Therefore, this will not cause any undue disruption in the insurance marketplace. This exemption will create a modified group as defined by the Federal Employer Retirement Savings and Securities Act. So at this time, I'd like to answer any questions. Specifically, I could talk to you two gentlemen over hear [laughs].

So we have about 85 tap rooms, about 75 percent of which are Guild members paying yearly due based on their production, and so the Guild is seeking out this health insurance plan to attract those additional members to become part of our association. It also will completely give great benefits to these small employers who are two
people, maybe a husband and a wife or a partner where the health insurance cost that they would have to incur when there's only two or three people is high and this will give an opportunity, especially because we are such a close-knit association to get additional benefits at a lower cost for them.

REP. SCANLON (98TH): Representative Vail?

REP. VAIL (52ND): Thank you, Mr. Chairman. I'm sure that you regret that I came in this afternoon, I was gone for a while, but good afternoon. Again, I applaud the concept and the initiative and I think it's a good approach. I want to give that same opportunity to everybody. That's one of my concerns, but in my district I have a hard cidery. Would they be allowed to join the Brewer's Guild if they manufacturer hard cider? Is there an avenue for them?

PHIL PAPPAS: They are associate members as part of our organization. They would not be under this plan, would not be able to get -- they have, they are working right now on developing an association cause cideries are now growing, that industry is now growing.

REP. VAIL (52ND): It's growing but it's still nowhere near --

PHIL PAPPAS: Yeah, nowhere near.

REP. VAIL (52ND): They wouldn’t really have much leverage in that department.

PHIL PAPPAS: Yeah, the association that they have, I mean I think there's half a dozen going on a dozen cideries across the state so there would be a lot
less people available through their association for a plan like this where --

REP. VAIL (52ND): Is there an avenue for you guys to talk about some type of collaboration?

PHIL PAPPAS: For health insurance?

REP. VAIL (52ND): You look at it --

PHIL PAPPAS: Association health insurance?

REP. VAIL (52ND): Well I mean just in general, you're just, you're using different ingredients but kind of doing the same thing if you look at that way.

PHIL PAPPAS: Yeah and the way that we're, we're working on it right now obviously with the General Law Committee in regard to permitting with that and beer manufacturer permits are a totally different avenue and different than cideries, wineries, now there's [cross talk].

REP. VAIL (52ND): They are, but they shouldn't be, I mean cause we're chasing around the same, but that's another case. We'll leave that, I'm following that as well so --

PHIL PAPPAS: Right so we have great partnerships with them, but they just wouldn’t be included in this association health fund, no.

REP. VAIL (52ND): All right. Thank you.

PHIL PAPPAS: Yeah. I would encourage them to you know, we've done the work to put this together and we already have an insurer lined up and you know, especially since we, our guild is young, um, I'm the only paid staff within a year and this was a huge
benefit that we are seeking out to provide to, and a lot of our members have approached us since my inception as the director to have benefits like this and I can speak to all of the other state guild's. There's state guilds in pretty much every state now and they are all currently going through this as well and seeking this option out as an association health fund.

REP. SCANLON (98TH): Representative Delnicki.

REP. DELNICKI (14TH): Thank you, Mr. Chairman and thank you for your testimony and far too many times, it seems like the State of Connecticut and legislature doesn't always do what's right to help businesses prosper and it sounds like you've hit on something that would help your businesses prosper there. I'm fortunate enough to have Connecticut Valley Brewery exactly on Sullivan Avenue in South Windsor.

PHIL PAPPAS: I believe the majority of the Committee here has breweries in their respective towns.

REP. DELNICKI (14TH): It's amazing how many there are.

PHIL PAPPAS: Yeah, yeah.

REP. DELNICKI (14TH): Really, you start looking and virtually every town has got a brewery coming either in the pipeline to get built, is being proposed or is actually operation and the economic development value of these breweries is tremendous along with the fact that they do create decent paying jobs.

PHIL PAPPAS: Absolutely.
REP. DELNICKI (14TH): And I was amazed about that.

PHIL PAPPAS: To your point, we are actually working with a couple of universities to establish associate degree programs, four-year degree programs built around brewing so Brian's point before, this is now jobs that are a real possibility of full time positions and careers for people in the state. You know they're not going to be bouncing around and drop after six months. These are going to be career decisions that people go into now.

REP. DELNICKI (14TH): Well I think we honestly have to take a hard look at this because we have an opportunity to help a small business group thrive in our state, grow and create more jobs.

PHIL PAPPAS: Absolutely and to -- I think it was one of your gentleman's points too, we saw a federal excise tax reduction last year through the Craft Beer Modernization Tax Reform Act which cut the excise tax for the first 60,000 barrels so everybody in Connecticut falls under that by $3.50 per barrel and we've been able, we're actually making that permanent, looking to make that permanent and with the savings that the breweries have had with that, they've been able to add on average 2.7 jobs so just a couple of extra dollars, saving on excise tax there, they were able reinvest in their businesses, create more jobs, on average about 2.7 people.

REP. DELNICKI (14TH): Sounds like a good opportunity here to help you guys grow even more. So thank you for coming forward with the proposal and Thank you, Mr. Chairman for the opportunity to question the proponent here.
REP. SCANLON (98TH): You're welcome. Any further questions? If not, thank you. Mike Teed?

MIKE TEED: Hello everyone. Thank you so much for having us today. My name is Michael Teed. I'm the vice president of the Craft Beer Guild and I'm co-owner of Black Pond Brews in Killingly, Connecticut so we're up in the boonies of northeast Connecticut. We are the smaller breweries in the state so we operate what's called a barrel and a half system and I just wanted to talk about the benefits of what this proposed would have for us personally as well as an industry.

I think one of the big things, as Representative Vail and Delnicki brought up is definition. So one of the great things that we benefit as an organization, we have a very defined membership so as far as the insurance companies are concerned, that was one of their big concerns for other associations is that how you define what businesses are and we have to go through a very rigorous process from town, state, and state level to acquire our license so that's part of it. We have really clear cut example of how we are created.

The other big thing is that we, as Phil mentioned, we have interest already so this is something that the insurance company, we have, you know insurance companies want to give us that reduction and want to work with us to be able to do this, to grow business in Connecticut. The final point is that it would really help us. So our company, we have four owners and basically two out of the four owners are full time and we're trying to take on a third owner as a full time employee basically. He works as a contractor currently and is actually on Husky
because he makes such little with the contracting so we've been trying really hard to do this, but we would have to go through the single market to acquire insurance for him. Basically with the savings associated with this, we would be able to take him on a lot more easily basically and we are expanding a lot not only personally, but as an industry and this bill would do a lot to help us continue to grow.

We've already since 2011 we had something like four or six breweries, now we're up to almost 80 and that's even without these kind of benefits and we need to continue to encourage growth in Connecticut just because again, these are locally owned and operated businesses. We all pay taxes here, we live here and this is something that we can do to really continue this great movement. That's basically all I have to say so I'll open it up to questions.

REP. SCANLON (98TH): Thank you. Any questions from the Committee? Seeing none, thank you. Your colleagues covered it.

MIKE TEED: Sweet, thank you.

REP. SCANLON (98TH): Appreciate it. All right. Moving on to 977, Susan Yolen.

SUSAN YOLEN: Good afternoon Representative Scanlon and members of the Insurance Committee, thanks for this opportunity to testify in favor of Raised Bill 977, AN ACT CONCERNING EXPLANATIONS OF BENEFITS. I'm Susan Yolen, I'm the vice president of Policy Advocacy and I work for Planned Parenthood of Southern New England, the largest provider of reproductive health care and family planning in
Connecticut, serving over 65,000 patients annually at about 17 health centers.

Our support for Raised Bill 977 flows out of the Affordable Care Act, which we worked really hard to secure passage for and which has enabled so many millions of folks who were uninsured to gain coverage. One very important tenet of the Affordable Care Act is that young folks who are up to the age of 26 can go back on or stay on their parents' insurance once they graduate from college or school or whatever if they have not yet found a job with coverage.

Those who have insurance should feel safe and comfortable using it. That's what a culture of coverage is about. Those who might seek strong confidentiality protections for the care they are seeking are not just adolescents and young adults, but those who are married, those who are separated or divorced or insured under a spouse’s plan. The importance of privacy protections for many patients cannot be underestimated, and confidentiality breaches have provided the basis for privacy requirements such as the Health Insurance Portability and Accountability Act of 1996 or HIPAA.

And while HIPAA, a federal rule, offers some protections, it was promulgated 23 years ago before we were all texting and emailing each other and sending private personal health information around that way. It's the subject of federal review right now and the HIPAA privacy rule does allow individuals to ask for the repression or redirection of explanation of benefits, but only if the individual can say that the sharing of that information will endanger. And, of course, it is
not only the threat of danger that would make us want our personal health information to be confidential.

Explanation of benefits have an important function. They inform policy holders of the degree to which they have met their cost-sharing obligations, copayments, deductibles, and coinsurance, and they deter fraud in the claims process. But other states, notably California and most recently Massachusetts last summer, have begun to put into place some approaches just as we are contemplating with this bill, that improve confidentiality for insured patients who are covered as dependents on a family member’s policy.

Just briefly, I will say that a couple of the key protections in 977 allowing anyone legally authorized to consent to their own health care to be allowed to request suppression of the EOB or redirecting to another address including an email, that EOB's may be suppressed for any service that has no payment due, and no one may be required to waive their right to limit disclosure or to request review of an adverse determination as a condition of eligibility or coverage under a health plan. These are all really important.

I will conclude just by saying, however, that the one thing we would love to see improved in this bill is that the consumer is used throughout and we think that for the sake of clarity, what we mean when we say consumer in this context is the enrollee so that we're not just talking about the person who is the subscriber, but the person who is actually covered as a dependent under the subscriber's plan. And so if the term enrollee could be used throughout, that
would be helpful and other than that, we support this bill and hope that you'll move on it and thank you for the opportunity to testify today.

REP. SCANLON (98TH): Thank you, Susan, I appreciate you being here. Representative Vail.

REP. VAIL (52ND): Thank you, Mr. Chairman. Good afternoon.

SUSAN YOLEN: Hi.

REP. VAIL (52ND): So I have four children. They're on my healthcare plan, one 19, one 17, one 13 and one 8. So if my 19, if this were to pass, what would happen if my daughter who's 19 goes to the doctor, I get, it's addressed to her, it comes to my address.

SUSAN YOLEN: It probably, it may already do [cross talk].

REP. VAIL (52ND): It would be addressed to her.

SUSAN YOLEN: Piece of mail, right?

REP. VAIL (52ND): Yes and it comes to my address, the explanation of benefits. What does this change about that?

SUSAN YOLEN: Well first, she could, because she's 19 and she's able to consent to her own care anyhow, she could ask for it to co -- depending on what the service was, at her request, it could be emailed to her instead of mailed so that might be something she feels more comfortable about. You, meanwhile, I think because this is really just about EOB's, it's not about other ways that you as the owner of the policy will find out how your deductible is used. You will have quarterly statements. Undoubtedly,
you will have a portal that you use to find out how your plan is fairing over time and you can still find out information like that, but the idea is that so much privacy is at risk when something, a piece of mail comes home.

REP. VAIL (52ND): So if I'm the owner of the policy and my daughter is on the policy, and she uses it and it's her privacy so I don't get to see it, should I still be made aware that it was used, but not be given the details of that information?

SUSAN YOLEN: Right so that's what I'm saying. I think you can find out through the portal you'll know that --

REP. VAIL (52ND): And how much money that may apply?

SUSAN YOLEN: Advancing towards your deductible.

REP. VAIL (52ND): Now what about my son who's 17 years old and not of, is not a legal adult? How does this address that?

SUSAN YOLEN: It depends on, I think on the service that he might get and --

REP. VAIL (52ND): I don't think there's any service that a minor gets that their parent, who's on the policy, shouldn't know about.

SUSAN YOLEN: Well actually there are confidential services that kids, teenagers can receive around sexual health that they don't, they're not required to you know involve their parents and their decision to get that care.

REP. VAIL (52ND): That doesn't mean I necessarily agree with that.
SUSAN YOLEN: Well, no, but that's the state of our statutes in Connecticut that minors, there are cer--, there are, there is a --

REP. VAIL (52ND): And there are some bills out there that might address that issue.

SUSAN YOLEN: Right, well right, but that's, this is a different issue and really the idea is that you would be able to find out eventually when your quarterly statement or on your portal, you would find out that a service had been used. You might not be able to find out the exact details of the service.

REP. VAIL (52ND): I would think an alarm would go off if my 13-year-old daughter were to have services that I didn't know about.

SUSAN YOLEN: No doubt.

REP. VAIL (52ND): My son can at least drive so --

SUSAN YOLEN: No doubt and I would say that in my view, the number of young, of teens, of young people who would actually seek this are few. I think it more, is more likely to be young adults who are you know college grads and just haven't gotten that job yet with coverage or people in relationships where they actually are fearful that their partner, who's covering them could actually harm them so those are the kings of --

REP. VAIL (52ND): But it incorporates minors into this, into this legislation. It doesn't just you know cover the adults like my daughter who's 19. I certainly want to know what's going on in her life especially if she's still dependent enough on me to be on my insurance policy.
SUSAN YOLEN: Right, but it does also say that if she [cross talk].

REP. VAIL (52ND): But she is an adult and she can, you know, she's over 18, she can do that. It's the minors that are included in this that certainly concerns me so. I'll listen to the rest of the argument.

SUSAN YOLEN: The language is that it's a service that they can legally consent to so you know there would be certainly some services I'm sure that you know surgery or some emergency that came along.

REP. VAIL (52ND): All right. I'll save the rest of that debate for a different committee so we'll leave it at that.

REP. SCANLON (98TH): Any further questions? If not, Susan, thank you so much.

SUSAN YOLEN: Thank you and you know if you have further questions, I'd be happy to, Attorney Sicklick from the Center for Children's Advocacy he couldn't be here but submitted testimony, I know is available and happy to answer the legal questions about coverage and minors. Thank you.

REP. SCANLON (98TH): Ashley Frechette.

ASHLEY FRECHETTE: Good afternoon Senator Lesser, Representative Scanlon and members of the Committee. My name is Ashley Frechette. I'm the director of Health Professional Outreach at the Connecticut Coalition Against Domestic Violence. We're the state's leading voice for victims of domestic violence and the 18 agencies that serve them.
I'm here to ask for your support of SB 977. Currently, explanation of benefits or EOB's are sent to policy holders whenever a patient utilizes services on that plan, as Susan talked about. So without patient's consent, the policy holder will have access to detailed information about the patient’s care. Sensitive data may be shared on these explanation of benefits including the name or type of procedure, providers and details about the services. This disproportionately impacts victims of domestic violence who rely on confidentiality when seeking medical services.

This bill would address a crucial barrier to accessing healthcare by ensuring that when multiple people are on the same insurance plan. Confidential healthcare information is protected and not shared with anyone other than the patient. It is important to note the significance of this issue. One in four women and one in seven men have experienced severe physical violence by an intimate partner at some point in their lives. This includes many health consequences that require medical procedures or medical resource.

Unfortunately, victims of domestic violence may choose not to receive much-needed medical attention due to concerns that their abuser will be alerted to their use of medical services via these explanation of benefits. This explanation of benefits could be the reason that victims avoid necessary medical treatment and in other cases, when they do seek medical treatment, this EOB could put victims in significant danger, especially if the abuser is the policy holder. Breeches of privacy like those in an explanation of benefits violate basic rights to
privacy and puts victims of domestic violence in extreme danger.

Passing SB 977 would allow victims to suppress EOB’s and allow them to choose a safe and appropriate method of receiving their Personal Health Information. This is a very important issue and I strongly urge that this Committee support this bill on behalf of victims of domestic violence. Thank you for your time.

REP. SCANLON (98TH): Thank you, Ashley. Any questions from the Committee? Representative Hughes, do you have a question?

REP. HUGHES (135TH): Yes, thank you, Chairman. I was just wondering. As a social worker, in the field, it's been my experience too that there's just really insidious risks to just a very generic way of informing the policyholder that it's been used. Can you tell me a little what you think that the -- well, what do you think the number barrier for victims getting safety is? What do you think the number one barrier is?

ASHLEY FRECHETTE: I guess as it relates to this bill, just the fact that they're, you know if they're in fear for their life and they are seeking services, you know you want them to seek those services so that's just an added barrier. They're walking on egg shells you know 24/7 as it is, so that fear that a piece of paper could admit you know what services they're seeking or if that abuser could assume that others are going to know about the violence so that just could inflict more danger. So I think, I think that's just a big concern and especially the reason why we're this supporting this bill, um, if that answers your question.
REP. HUGHES (135TH): Well as a clinician in a community health center, we would find that when victims would come because of physical injuries from the domestic violence, that point of service compact would greatly increase the risk of lethality because they're making contact with care providers and sometimes after we would see them in the outpatient clinic on Friday, they'd be dead by Monday because it's so incredibly risky to get help [cross talk]

ASHLEY FRECHETTE: And that's why we want to encourage people to be able to seek safe and effective healthcare which you know like you said, that sometimes is a barrier.

REP. HUGHES (135TH): Thank you.

REP. SCANLON (98TH): Thank you. Any further questions? Representative Vail?

REP. VAIL (52ND): Thank you, Mr. Chairman. So would the people on the other person's plan have to request to have the benefits, explanation of benefits not sent to the policy owner, or would that happen automatically if this bill were to be put into effect?

ASHLEY FRECHETTE: That can be directed in specific to Susan, but the understanding and what we are encouraging is that yes, they would be able to speak with their provider and outline how it is best for them to receive the information, whether it's email or a different address or if it's admitting certain words or reasons why, whatever would be safest for their specific situation.

REP. VAIL (52ND): So obviously we wouldn't want -- why can't it be written into the bill that if the
policyholder is an abuser, that that would be the case? How would my 13-year-old daughter go about having EOB's sent to her email address without my knowledge?

ASHLEY FRECHETTE: That's I guess a better question for Susan. I don't know the specifics of that. I'm just here to speak on behalf of the point of view of a victim.

REP. VAIL (52ND): Okay. There's going to be more people testifying on this?

ASHLEY FRECHETTE: I don't know.

REP. VAIL (52ND): All right. I'll save my questions for them.

REP. SCANLON (98TH): All right. Any further questions for Ashley? If not, oh, Representative Nolan.

REP. NOLAN (39TH): How you doing and I'd just like to thank you for speaking to or for the voices that would be those that are in that situation. As a law enforcement officer also, I do run into many people who do talk about that, that have to worry about their significant other who causes the drama and negativity for them to be scared to go and get help because the paperwork always goes back to the abuser so I just thank you for being a voice for them and for those that are here with you doing the same thing, I think it is a beneficial thing so thank you.

ASHLEY FRECHETTE: Thank you.
LIZ GUSTAFSON: Dear Senator Lesser, Representative Scanlon and distinguished members of the Insurance and Real Estate Committee: My name is Liz Gustafson, and I am the Organizer & Volunteer Coordinator for NARAL Pro-Choice Connecticut. I am testifying in support of raised S.B. 977, AN ACT CONCERNING EXPLANATION OF BENEFITS. This bill addresses a crucial barrier to accessing health care by ensuring that when multiple people are on the same insurance plan, confidential health care information is protected and not shared with anyone other than the patient.

Those seeking any health care service should feel confident that this care will remain confidential for a variety of reasons. Disclosing any patient’s private information negatively affects everyone, but particularly young adults who are insured through a parent’s plan, minors who are exercising their right to access services, and adult spouses who are dependent on a partner’s plan and may be in a controlling, and/or abusive relationship. This legislation also includes an accountability component of carriers, requiring them to act with a degree of urgency within a specified timeline when receiving an email or mailed request for suppression or redirection of an EOB.

Individuals seeking healthcare related to sexual and reproductive health, domestic violence, sexual assault, or mental health services may face the fear of their private medical information being disclosed to family members, or are deterred from seeking
these services altogether. Patients should not be stigmatized or punished for seeking health care, and instead should be empowered to make decisions with full freedom and autonomy.

In 2018, the PATCH Act was signed into law into Massachusetts with the same premise; to protect an individual's confidential and private healthcare decisions and to address deterrents faced by those seeking care in fear of others finding out. Connecticut enrollees should have the same protections from insurers, as confidence in knowing health care will remain private and confidential will have a profoundly positive impact on public health outcomes here in our state.

I strongly support S.B. 977 and I urge the Committee and Connecticut lawmakers to vote favorably to protect the confidentiality of patients utilizing their private insurance plan. Thank you for your time.

REP. SCANLON (98TH): Thank you, Liz.

Representative Vail.

REP. VAIL (52ND): Thank you, Mr. Chairman. Good afternoon. So I'll ask you some of my scenarios here. So would you be opposed to this only applying to victims of domestic violence?

LIZ GUSTAFSON: Yes.

REP. VAIL (52ND): Okay. And so if it's my adult daughter, I can certainly understand that and I certainly wouldn’t have a problem with that. If it would be upon her request, would that happen automatically? Is that your understanding of the
intent of the bill and what would you think is the best?

LIZ GUSTAFSON: I would also refer to Susan regarding that.

REP. VAIL (52ND): And again, how would my 13-year-old go about contacting the insurance company and saying that she'd prefer to get her benefits to her email.

LIZ GUSTAFSON: It's my understanding that that would be a conversation between her and the provider and upon them filing with the insurance, they would be the one contacting the carrier.

REP. VAIL (52ND): And they could provide that service to my 13-year-old daughter without my knowledge of that?

LIZ GUSTAFSON: Yes.

REP. VAIL (52ND): And so can my daughter get a mole removed without my knowledge?

LIZ GUSTAFSON: I mean, it's my understanding, but once again, I would like to refer to Susan. [person speaking off microphone].

REP. VAIL (52ND): Well there's, I certainly understand the domestic violence part of this and I'm very concerned about that and I understand that, but there's no way things should be going on with my 13-year-old daughter that I don't know about. That's just ridiculous that we're even having that conversation.

REP. SCANLON (98TH): Representative, if I just might, the existing law that young people have these services and that they can have access to certain
services without the consent of parents and this is just to do with the explanation of those benefits.

REP. VAIL (52ND): And so then I would still have access to the things, so if my daughter chose to get an explanation of benefits, for those specific services, which I disagree with 100 percent, but that's another issue, but she applied for this through that provider and got direct benefits, then what's going to happen when she does so, she would still have to go to the doctor, any other thing performed, would I then get the explanation of benefits for other services provided?

REP. SCANLON (98TH): Yeah, but there's certain circumstances like mental health or reproductive rights or drug treatment. There are certain things that those children can seek without your consent under current Connecticut law. That's already the law. This is just trying to address the billing aspect of this to try and preserve the rights that these folks already have to seek that without, and I get you don't agree with that, but that is my understanding of what we're talking about today and I just, on behalf of some of the folks on that side of the room, I'm happy to try to facilitate that communication where they can provide you with that information and we can, as a Committee when we, if we do try to take up this bill, we can have that conversation having gotten some of that information from the attorneys that they're referencing, if that works for you.

REP. VAIL (52ND): I'll certainly have a conversation.

REP. SCANLON (98TH): Any further questions for Liz from the Committee? Representative Pavalak-D'Amato.
REP. PAVALOCK-D'AMATO (77TH): One, and I don't know if you'll be able to answer it but it kind of goes along the same lines just I guess when we do have that conversation. I understand the minor getting services, so the minor can enter into a contract for certain essential services, but otherwise, this is a contract between the parent and the insurance company and that is not a, that along with I think some of the agreements disseminating information, a minor under contract law is not allowed to and cannot enter into a binding contract so I think that's where I'm having some of the issues. Under contract law, things like that are null and void so I don't know if you can answer or I guess it's just a general question statement for our future conversation, but thank you for your testimony.

LIZ GUSTAFSON: Thank you.

REP. SCANLON (98TH): Any further questions? If not, thank you.

LIZ GUSTAFSON: Thank you very much.

REP. SCANLON (98TH): Kathy Flaherty? Don’t see her in here. All right. We'll move on to 7265. Dr. Joseph Quaranta.

DR. JOSEPH QUARANTA: Good afternoon, Chairman Scanlon and members of the Committee. Thank you for the opportunity to provide testimony today in support of House Bill No. 7265. My name is Joe Quaranta. I am an adult primary care physician in private practice in Branford and I am also the President and CEO of Community Medical Group.

Community Medical Group is an independent practice association, or an IPA, with more than 1000 member
physicians and associated clinicians working in approximately 240 independent medical practices. Our practices are located in 33 towns across Fairfield, New Haven and New London Counties. We are completely physician led and governed. Our practices remain independent, but have joined CMG in order to work together with other like-minded community-based practices. Our focus is on improving the quality and efficiency of care delivered by our clinicians and ensuring that our patients receive the best experience.

The overwhelming majority of our practices are small businesses with multiple employees providing local employment opportunities in our communities. CMG is dedicated to preserving these independent medical practices which are a vital component of the healthcare delivery network in Connecticut. As a physician partner in a small medical office and as President and CEO of an organization representing community-based physician groups, I know how hard it is for small businesses to provide affordable health coverage for their employees. These are challenging times for small independent practices. Our business model is challenged with rising operational costs, including employee benefits, which have not been matched by increases in revenue. Due to the disparate treatment of large and small employers in the health insurance market, small employers are often faced with an uninviting choice of either paying for high-priced coverage or no coverage at all. When asked why many of our member practices do not offer health coverage to their employees, cost is cited as the primary reason. For those practices that do offer coverage, cost is frequently cited as
a significant challenge and impediment to recruiting and retaining valuable clinicians and staff.

This reality has driven CMG to seek health insurance solutions for its member practices. I tell a story about a practice where a physician recently reached out to me, a pediatric practice that's been on the shoreline for many years and his quote to me is how much he loves being in independent practice and how much they have been striving to keep their practice going and a vital part of CMG that we do and he said, but in all honesty, Joe, I've got about two or three years left and if we don’t do something about health insurance costs, I'm going to be forced to align my practice a larger entity and give up independent practice and it was striking to me how just the cost of healthcare was going to drive this legacy independent practice into an alignment with a larger entity.

Association health plans allow small employers to band together to offer health coverage on the same terms as a single, larger employer, allowing coverage to be significantly more affordable. While the U.S. Department of Labor issued final regulations regarding association health plans making it easier for small employers to offer more affordable coverage to their employees, the State of Connecticut Insurance Department, on August 27, 2018, issued Bulletin HC-123 stating that Connecticut small employers will continue to be treated as small employers for insurance rating purposes. The intent of the U.S. Department of Labor’s new rule was to expand access to AHPs which have the potential to lower health insurance costs for small employers. HC-123 thwarts the goal thereby disadvantaging Connecticut’s small
businesses, including CMG and its members, by removing an alternative health insurance option that might allow them to continue offering meaningful coverage to their employees at an affordable price.

House Bill 7265 seeks to remove the barrier created by HC-123 by allowing an association of group practices that has formed an AHP consistent with the US Department of Labor’s final regulations to be rated as a large group employer. CMG is eager to find a health insurance solution for its independent physician practices that includes meaningful coverage at costs they and their employees can afford and I urge you to support House Bill No. 7265. Thank you.

REP. SCANLON (98TH): Thank you, Joe and good seeing you up here. We've talked about this in the past before and I'm not sure how long you’ve been today but what seems like a day ago, maybe hours ago, we had a conversation about controlling the costs of healthcare, and one of the things as you that is happening, is that large health systems are consolidating small practices and there are some that would argue that might be helping increase the cost of healthcare. This would obviously try to maybe stall that growth in that regard and keep some of those doctor practices independent. Can you talk a little bit about your expertise in just talking to other colleagues and physicians who are independent practices about why this would be such a helpful thing for you?

DR. JOSEPH QUARANTA: So, as I stated previously, you know medical practices are small businesses like any other small business and in addition to running our medical practice and taking care of our
patients, we have to manage and support of all the things that a small business needs and like every other small business, after our direct employee costs for salaries, health benefits have become the largest source of expense for us and not only is there a source of expense, but there's also an administrative burden that's borne by these small practices and so what's happening to particularly medical practices is it's not just the cost, but it's the administrative burden because you can imagine the number of administrative processes that a medical practice needs to function and by coming together and that's really what our organization does so one of the things that CMG does is we help our practices with numerous things. We help them with malpractice insurance, we help them with their other lines of business insurance and their HR and we help them with dealing with insurance companies and to not be able to help them with one of their largest and most important issues, which is their own health benefits, really limits our ability to keep them independent and the amount of time and effort that practices are spending on these activities and the cost is just overwhelming for them.

REP. SCANLON (98TH): Thank you. Any questions from the Committee? Seeing none, Joe, thanks for coming out here and testifying today. I appreciate it. All right. We're moving to 7266. I know a lot of the room have been waiting for this bill and I appreciate your patience today, but we are finally so Wayne Weikel from the Alliance of Automobile Manufacturers.

WAYNE WEIKEL: Good afternoon, Mr. Chairman, ranking member, members of the Committee. My name is Wayne
Weikel, I'm with the Alliance of Automobile Manufacturers. The Alliance is a trade association representing twelve of the world’s leading car manufacturers who combine to sell about 70 percent of new cars on the road each year. Thank you for the opportunity to speak to you today and thank you for recognizing this is an important issue and raising a bill on the subject.

If you talk to any auto body professional, the issue of insurers pressuring the shop to do ever faster and cheaper repairs is nothing new. There is, however, a new focus on this issue as a result of a $42-million-dollar verdict against an auto body shop in Texas that was handed down in 2017. In that case, it was found that prior to plaintiffs owning their vehicle, their vehicle was in an accident and it was improperly repaired. Essentially, instead of using 100 welds to reattach the roof of the vehicle, the auto body shop used bonding adhesive, glue, to reattach the roof.

When the plaintiffs were in a subsequent accident, the poor repairs of the original accident compromised the vehicle's structural integrity, trapping the plaintiffs in the vehicle, having fourth-degree burns all over their body and spending three years in the hospital in recovery.

So what came out of the trial and what this legislation seeks to address is the pressure that auto body shops feel from insurers to do the repairs the way the insurer wants the repair to be done, even if it's in conflict with the repair recommendation set forth by the vehicle manufacturer. In depositions, the staff from the auto body shop said they felt insurers could get
away with dictating how a repair should be done because the insurer controlled how much the shop would get paid for the repair. In effect, collision shops now have to make a decision between making the proper repair or getting proper payment for their work.

Insurance companies have actuaries to price insurance policies; they do not have engineers who know how to repair today's complex vehicles. As I understand it, there was a time when a basic understanding of auto body principals would let you fix 9 out of 10 vehicles that came in that shop. That time has passed. Today's vehicles are complex. It only goes to reason that the repair procedures to return today's vehicles to pre-accident condition are just as complex.

I had a chance to read the opposition testimony on this bill posted online and I think I can make this hearing shorter for everyone. Every piece of opposition testimony posted focused on one single point. The impact that this language would have on the use of salvaged and after-market parts in the state. I'm here today to tell you this bill is not about parts. To show that our intentions on that are true, I've attached to my written testimony a proposed amendment to the Committee to consider that would make it clear that regardless of any statements contained in an OEM repair procedure, the use of post-accident insurance-funded repairs, the use of parts in post-accident insurance-funded repairs shall be governed by subsection 35, section 28a of Chapter 700, just as they are today.

In conclusion, this is a pro-consumer bill and this is a pro-safety bill. We think once you take parts
off the table, that this becomes good public policy and encourage a favorable consideration.

REP. SCANLON (98TH): Thank you, Wayne, for being here today and for that suggestion. So I think we're going to get a little in the weeds here on some stuff. For the purpose of the Committee, can you explain what an OEM part is?

WAYNE WEIKEL: Sure. An OEM part, OEM, sorry, my wife snaps at me all the time for this, OEM is original equipment manufacturers so it's Ford, GM, Mazda, you know the actual vehicle manufacturer and they make their own parts that they put into the marketplace to replace you know cars in an accident, to use OEM parts. The opponents on this bill suggest that since many OEM repair procedures that direct you how to repair a vehicle say at the very top, use OEM parts, if a legislature says use, follow OEM repair procedures and the repair procedure says use OEM parts, in effect, you'd be getting rid of all after-market and salvaged parts. I see where they get that. I see their rationale. That is not the purpose of why we're here.

The reason we're here is because we've known this for years, that repairs, we're not doing repairs the correct way. We've known this but we've never been able to actually point to something to actually show it. This case out of Texas was right down, exactly what we knew was going on and as I said, they used glue to reattach a roof instead of you know actually using welds so we're trying to steer away from the fact that it has to do with parts, and just focus on procedures.

REP. SCANLON (98TH): Got it, so help me understand. So I drive a 2018 Ford Edge. I get into a car
accident and I go to a local body shop in Guilford where I live. I call up USAA and I talk to them about it. From there, most people don’t really understand what happens, right? They just tell the guy that they know, does a good job on cars, to fix their car. Explain to us what happens next and where this comes into that.

WAYNE WEIKEL: Sure, and you know, you’ve got that relationship right that the insurer, the consumer has a contact with the insurance company, and then the consumer chooses where they decide to go. There is no real relationship between the insurance company and the auto body shop, and that’s an important thing to understand. When a shop is now doing this repair, you get an estimate and the insurance company may approve an estimate, but then the shop looks at it, well yeah this estimate says to do X when really, repair procedures say do Y and this tension that insurers can put onto a shop, you know some insurers might provide a lot of volume and maybe you want to make sure that they continue referring business to you, there's a whole host of reasons why a shop feels that pressure, but they shouldn’t. You know we need them to make the repair you know on behalf of the consumer and following an OEM repair procedure is the only way that car gets placed back in actual you know pre-condition, pre-loss condition.

REP. SCANLON (98TH): But I guess to your point, some of the testimony that's reflected here and I'm sure some of these guys are going to testify in a second about this, is usually as a consumer, I'm not consulted in terms of what parts are going on my car. I don’t get into a lot of accidents, but in my limited experience, I'm not really being consulted
on that so you're basically trusting the place that you go to, to do something right and most of the business owners that are here you know are doing good work with that regard, but the crux of what you're trying to talk about though is that the insurer then, somewhere behind the scenes is pressuring that guy or gal to put in a used or aftermarket part, right?

WAYNE WEIKEL: No.

REP. SCANLON (98TH): No, okay.

WAYNE WEIKEL: We're not talking -- I'm trying not to talk about parts.

REP. SCANLON (98TH): No, I know you're not trying to, but everyone else wants to talk about parts so that's what I'm asking you about.

WAYNE WEIKEL: Yeah, but, yes, there is, there are those pressures to use those, fill in the blank, whether it's an aftermarket part or a salvaged part, but we think that's different than the procedure used to place that part on the vehicle. We think there's a distinction there.

REP. SCANLON (98TH): Got it, okay. All right, let me open it up for other questions. Representative Pavalock-D'Amato.

REP. PAVALOCK-D'AMATO (77TH): Okay, so let's, if we keep it focused on service, all right, right cause that's kind of what you're saying that we need to focus on, that it's not, I guess with, was what you talked an amendment or you said refer to another section, that that would --
WAYNE WEIKEL: I have attached an amendment for the Committee to consider as part of my written testimony, but I think I was saying that what amendment the effectively says is notwithstanding, whatever OEM repair procedure says about the use of parts, says use an OEM part, notwithstanding that, the use of parts in a post-accident insurance-funded repair, will be governed in an insert section from your existing law that says how it should be used and it's section 355, 24(a), something of that sort.

REP. PAVALOCK-D'AMATO (77TH): Okay, so then we'll bring it back to service. If what you're saying, I guess I'm confused as to why this case makes the difference because from that, I would assume that there was nothing, no case law, I don't know, in Connecticut or otherwise that addressed this issue so this case seemed to bring something out that prompted this law at least here. What was it about that case that was never covered before?

WAYNE WEIKEL: I don't know if there's been case law on it. What was unique about this case is that it was so clear, what the auto body shop did and what they admitted to doing in their depositions was that they didn’t follow the OEM repair procedures and they indicated why they didn’t follow the OEM repair procedures and you know, great harm resulted from that and it's something, gain, it's something we've known has gone on, but we've never had something to point to that would indicate.

REP. PAVALOCK-D'AMATO (77TH): So why wouldn’t that be covered under a regular, a negligence action and our current law that addresses negligence?
WAYNE WEIKEL: Oh, I think you could still sue. I think we're trying to get to the place where these bad repairs don't happen.

REP. PAVALOCK-D'AMATO (77TH): But wouldn't they, couldn't they still happen anyway and hence, the reason for court law and negligence cases?

WAYNE WEIKEL: Yes, they could still happen, but it wouldn't be negligence. Then, you would actually be breaking a specific law.

REP. PAVALOCK-D'AMATO (77TH): But they're already breaking a law by, I mean, to me, like to even, I would assume a lot of these, these guidelines are used as guidelines in the preferred way so to me, that would be part of the evidence so this is almost shifting the burden in cases that are brought forward so I think that's why I'm still a little confused.

WAYNE WEIKEL: Sure, no, and essentially, we'd like to provide auto body shops with the leverage to be able to push back and say, no, I'm not going to do it that way. This law says I have to follow the OEM repair procedure, you can't leverage me, you can't put pressure on me to do something else.

REP. PAVALOCK-D'AMATO (77TH): Pressure from?

WAYNE WEIKEL: The insurance company, which is what was sort of detailed in this case that I had referenced.

REP. PAVALOCK-D'AMATO (77TH): Okay, so can you explain what their role was? Are you saying that they said, the insurance company encouraged to do it a certain way that was not by the guidelines?
WAYNE WEIKEL: Correct, that's what came out in the deposition of this case and we talked to auto body shops, I know a few will be testifying after me, this is common that insurance companies, you know it's not necessarily out of malice, it's, you know it's not ill intent, but it's their desire to get the fastest cheapest possible repair.

REP. PAVALOCK-D'AMATO (77TH): But why would they recommend a repair that puts them at risk?

WAYNE WEIKEL: Because it's faster and cheaper.

REP. PAVALOCK-D'AMATO (77TH): But then exposes them.

WAYNE WEIKEL: I think they are also coming to grips with this new exposure.

REP. PAVALOCK-D'AMATO (77TH): And so what was, do you have the site for that case?

WAYNE WEIKEL: It is Eagle Collision and State Farm vs. Skeetelan [sic], I believe was the last name. I always forget the last name, I apologize to that family for not having it.

REP. PAVALOCK-D'AMATO (77TH): And why are we, why were you looking at Texas as opposed to, you're saying there's no Connecticut law?

WAYNE WEIKEL: I said I don't know if this trial, I don't know if there's any case law on this topic, but it's such an egregious example of what's going on in the marketplace. We've pushed this legislation in multi-states this year.

REP. PAVALOCK-D'AMATO (77TH): Thank you.

WAYNE WEIKEL: Sure.
REP. SCANLON (98TH): Representative Vail.

REP. VAIL (52ND): Thank you, Mr. Chairman. Good questions Representative Pavolock-D'Amato, you stole a bunch of my questions. No, that's quite all right. So this seems pretty reactionary to me. You talk about protecting auto body shops and this bill would give them leverage against the insurance companies and in reading the testimony, all the body shops, they're not asking you to advocate on their behalf and you know, I get, my, I trust my body shop guy that you know he's going to fix my car the right way regardless of what the insurance company says and I'm sure he knows how to deal with them accordingly, and I this is another piece of reactionary legislation because there was one bad case in Texas where some body shop did a really bad job and then didn't want to own up to it so they blame the insurance companies and now, here were are in Connecticut some 2000 miles away with some reactionary legislation that's going to adversely effect, I know you put in you know recyclers, auto shop, you know, I just, I think it's an overreach and it's going to adversely affect the industry so again, I started with a question, ended up making a statement so I'll leave it there.

REP. SCANLON (98TH): That's quite all right, Representative.

REP. VAIL (52ND): That's the third time I've done that today.

REP. SCANLON (98TH): Any other comments or questions from the members of the Committee?

WAYNE WEIKEL: If I could respond to that? To be clear, there are, the Connecticut Auto Body
Association is testifying after me on this and will speak to that. I do believe the auto body shops are on our side on this.

REP. VAIL (52ND): Okay, I'll wait here with bated breath on that testimony [laughter]. Thank you.


BILL DEBACCO: How we doing House, honorable members of the Chair and Committee. My name's William DeBacco. I am the president of the Connecticut Auto Recyclers Association. What we are most concerned about in all of this language if you want to call it is in their speculations of their guidelines and procedures, is to use new OEM parts which is original equipment parts, which we're backing on our end in our industry is that the parts that we supply are the same exact safety specs that came right off of their assembly lines in regard to, yeah just meeting safety regulations and whatnot.

So that is basically where we're coming from, even those he's emphasized there's no parts involved in their guidelines and procedures, it recommends and kind of pushes the issue of using new OEM parts while our parts are equivalent, being the same manufacturers quality in that regard. As for, and this approaches the, what we believe is they're trying to take on a large, like segment the market in a way to monopolize to not allow used OEM equipment, which obviously is a huge discounted price in terms of what an OEM part, which is an original equipment from a Ford, Mazda, whatnot would cost, so our prices are significantly less. Hence, why insurance companies tend to price out most
products through us first and then if they're not capable of getting it, they would go with the new OEM product, but like I said, at a significant price hike.

So if this were to kind of go through in terms of them only kind of pushing forward on the OEM parts, it would pretty much drastically increase most insurance rates because the cost to repair any damaged vehicle, slightly or moderately damaged, would be significant, so that is what we strongly oppose in this bill. There is the possibility of everyone in this room could take burden if that if insurance rates do hike because of the cost inflation on using new OEM parts.

As for like our, pretty much our final statement is that most auto recyclers in the state have been around whatever, two, three, four generations worth of people. They're our family members and this bill, we believe, will gravely affect the auto recycling industry. I apologize for my shaky voice but this is the first time up here and I hope you guys support and oppose the bill 7266 as much as we do assuming that the new OEM parts will be affected in their guidelines and regulations. Thank you.

REP. SCANLON (98TH): Thanks, Bill, and for a first timer that was pretty solid man.

BILL DEBACCO: OH, I don't know about that.

REP. SCANLON (98TH): Don’t worry about it. All right, so help me understand this. So our recyclers, basically you buy used cars that have been damaged.
BILL DEBACCO: Correct either through like a private party, from a body shop, a lot of our vehicles come through, most of them are through an insurance auction which I would say if any of you have ever become or been in an accident, your fault or their fault, if they don’t choose to fix the vehicle, it goes to some kind of salvage pool at some point where it would be held there for who knows, sometimes a week to two, sometimes months on end. At that point, once it’s available, the paperwork becomes clear, all the lienholders are off of it, blah, blah, blah and the title is available, then we are capable of buying it, or from a private party who damaged their vehicle, doesn’t want to report it to insurance and just wants to sell it and clear their name with the state and obviously with taxes and whatnot, get off their tax liens and all that.

REP. SCANLON (98TH): And when you buy it, do you buy the whole car or do you buy just the parts that you want?

BILL DEBACCO: No, we buy it as a complete vehicle. We choose the parts that we want to sell. So if a vehicle was hit on the passenger right, air bags did not employ [sic], under our verdict and our discretion, any part on that for safety features would be completely compatible with going into another vehicle with no problems or regulations in that regard. In terms of body sheet and panels and such like that, doors and fenders, yes there is the aftermarket world, but then there's also now a huge carbon footprint on recreating hundreds of thousands of whatever, door shell cores and front bumpers, plastics all that, which essentially have to get mined to start, to pour in the metals, then go to China, who pretty much in a way uses slavery for
their labor to create the part, ship it 7000 miles to America, so it's just the carbon footprint of any part that's not already here in the states which would be a used OEM part that's physically here and we can deliver it to any repair facility as needed, is our big kind of aspect with it.

REP. SCANLON (98TH): Okay. And then because I don't know enough about this, this might be an ignorant question, but there's gotta be laws on the books in Connecticut that require you to do some sort of safety inspection on those parts before you sell them to somebody, right?

BILL DEBACCO: Correct. As long as it's pretty much in a near perfect condition, if it took any kind of damage at all, for the most part we don't get involved in reproducing and reselling. There's a lot of issues out there with, a lot of manufacturers with air bags and whatnot as well, so we have shut down all sales on those air bags and only sell them to licensed buyers, one of them is in Rhode Island, and to get rid of any possibility of, like the big problem with those air bags is there's like metal shards so when there's a lot of humidity in it, those metal shards tend to become oxidized or whatnot and when the air bag were to deploy, then there could be fatal issues and that's a big lawsuit that's kind of already out, is with the air bags themselves, but as long as the OEM manufacturers don't have any of those VIN numbers on any parts that we affiliate with in terms of recalled parts on the VIN, then we assume everything's up to par as long as it passes a visual inspection and to start, is just a good part. Obviously we're not going to sell a broken, whatever, headlight or something that contains moisture and could have issues.
REP. SCANLON (98TH): And then, so, go back to my analogy that I was going through with the previous gentleman which is I crash my car, I take it to my local body shop, you know I have, you know, front passenger side door damage. Do they then search like a database that your parts are in, in addition to the OEM parts? How does that work?

BILL DEBACCO: Well normally, it's under, like it's kind of a separate aspect in itself. So OEM parts, they do have their own body shop in terms of software that they can go through and from there, as long as like through our industry there's a website that kind of pretty much has all licensed repair facilities and we sell all of our used parts through it, most of them in which they can just figure out, just go through the drop-downs and go figure out what door and what yard has it. From there, it has a VIN connected to it which obviously is capable of doing their own lookup which most shops tend to do with like car faxes to make sure there's been no reported damages to that vehicle. Obviously some repairs are very well done that by the human eye you cannot tell even with pretty a paint odometer or whatnot to tell if there was physical body work done to a door or whatnot, but under most of our standards, we believe body shops to be looking at the VIN numbers and making sure there's no previous collisions. We would only be selling an automobile or a part that we're comfortable with.

REP. SCANLON (98TH): Okay, and then just two more questions. So when you, when they find that you have the part, right, at your shop, and then do they look at usually compare and contrast the cost of buying it from you versus OEM?
BILL DEBACCO: They always will and normally, like we'll have in our systems, every yard kind of uses their own provider, but there's two or three main locating systems that we use for our inventory say, and a lot of times, that will give us the list price. Most of the time, our provider is pretty on point within $50 or so dollars of what an OEM new product is so we're, so the customer, like if this cover would cost around, showing around $400 dollars, obviously we always tell people to double check and inspect on our, on our behalf just to be sure that we're telling them logical information, but yes, most shops do run both used versus new parts and depending on which way the insurance companies are going for it as well makes a difference in terms of how much money they're willing to put in the car.

REP. SCANLON (98TH): That's my next question which is who's making that final call? Are you going to me and saying hey, Sean, this is what insurance is willing to pay, this is what it could be here, do you want to make up the difference or are you just forced to go with what the insurer is going to do without a conversation with the person?

BILL DEBACCO: Well the body shop obviously has an association with them, they go much further into that, but they've got the option to kind of go any direction they want. Their goal is always to obviously, for insurance shop situations is to fix a car at the best price to keep that vehicle on the road so many cars these days, especially with air bags deployments, tend to get totaled or salvaged right away, just because the amount of works that done or will need to be done in terms of if there's any side air bags, like headliners need to be
purchased and then those are all extremely costly aspects which insurance companies obviously frown upon fixing those cars. So they will just go straight to salvage, but a vehicle with lesser amount of damage that's like a door hit a rear quarter hit that didn’t take a significant shot, would then go through, actually I'm kind of running off, misleading off my own question, what was your question in terms of?

REP. SCANLON (98TH): You answered it, you're good.

BILL DEBACCO: Okay. Well along those lines.

REP. SCANLON (98TH): I lied. One more question from me. The gentleman before you said he had some language that he was floating that he thinks would satisfy the concerns of some of the guys from your business. I know you may not have had a chance to look at that, but do you think based on what he was saying, that that would satisfy your concerns or no?

BILL DEBACCO: In a way if the language is changed to work for everybody involved, I think it could, but we would have to go into further discussions about that. Like I said, the fact that the, even parts isn’t mentioned, OEM parts is already in their physical guidelines and procedures, so in a way, they're already talking about new parts, even though it doesn’t emphasize it, and even though he's excluding it, it doesn’t truly exempt from this law saying that a used auto part could not be sold.

REP. SCANLON (98TH): Thank you.

BILL DEBACCO: You're welcome.

REP. SCANLON (98TH): Any other questions? You're good.
SEN. VAIL (52ND): Thank you, Mr. Chairman. Good afternoon. I've done a lot of business with Bill's, you guys are great. I've actually referred a lot of people to you and sold a car to you guys. I've gotten parts through you. They've always been fantastic and since Stafford Auto Salvage went out of business, I've been doing all my business with you. So if this bill were to pass the way it's written now, how much of an effect would that have on your business? How much percentage wise would that affect you?

BILL DEBACCO: Well if we're looking at the parts aspect, in terms of selling to body shops, it would pretty much annihilate almost all of them because the only aspect we would have would be just the private sector, which most of your yards in the state, there are some smaller yards that do a lot more business with walk-in traffic, but many of your yards completely supply or run our business in terms of supplying large or any kind of auto repair facility, licensed auto repair facility parts, the only other small segment that we have would be the scrap aspect which will still be there, but then we're, then, now we're opening the door, now we're going to be narrowing the amount of, cause we already had a huge shutdown of scrap yards a few years ago when scrap prices went through the, went through the floor, so then they would be pretty much putting all of our industry into that same bubble and that would be that many more sacrifices, probably sacrifice jobs and companies as a loss.

SEN. VAIL (52ND): Do you know how many auto recyclers there are in Connecticut?
BILL DEBACCO: Well I represent 38 licensed auto recyclers. There are more but just 38 in our community.

SEN. VAIL (52ND): So 38 in your organization and there's more beyond that.

BILL DEBACCO: Correct.

SEN. VAIL (52ND): And you're saying this bill as it's written now, could all but decimate your industry.

BILL DEBACCO: Pretty much, yeah.

SEN. VAIL (52ND): Okay.

BILL DEBACCO: That's where we're going, that's what we're all nervous about and that's why we're here in front of you today.

SEN. VAIL (52ND): Do you do any body work yourselves?

BILL DEBACCO: We do not.

SEN. VAIL (52ND): Okay.

BILL DEBACCO: Some facilities do, but we do not.

SEN. VAIL (52ND): Okay. Thank you.

REP. SCANLON (98TH): Any further questions from the Committee? If not, thank you so much.

BILL DEBACCO: Thank you, guys. Have a good one.

REP. SCANLON (98TH): All right. Rich Montesi followed by Jim Eitvydas, I'm sorry if I pronounced that wrong.

RICH MONTESI: I should say almost good evening Chairman and Committee members. I just want to be
short and sweet here that this bill as proposed is a job killer for the state. Many, most of our salvage yards, will, the way this bill is written will greatly suffer into a major loss in business. I've also spoken with many of my customers who are body shops yesterday and as this bill is written, they are appalled that they are going to lose so many cars that come into their facilities because they're going to get totaled out if they have to write all brand new OEM parts so it's going to decimate a lot of them, especially the smaller guys. And the third topic I would like to bring up is that everyone's insurance rates will skyrocket if all these cars wind up getting totaled out and the insurance, everybody's insurance rates are going to go through the roof. It's, you know, one, two, three, plain and simple. The bill as written is not good for the State of Connecticut. Anybody have any questions?

REP. SCANLON (98TH): I do not, Rich, but Representative Pavalock-D'Amato.

REP. PAVALOCK-D'AMATO (77TH): How many jobs would you say, and you're talking about I guess not including repair shops, just the recycler?

RICH MONTESI: Well, recyclers in this state, I mean there's 38 yards and we average between, some yards have 5 employees, some could have upwards of 50 employees. You know that's on our end of the business, but there are many, many small body shops who you know need to be able to use recycled OEM parts to keep that car from being a total loss so a lot of them would be closing their doors and you know I just, we wish we had, I wish we had more time to talk to more about people about this, but this came upon very quickly.
REPRESENTATIVE PAVALOCK-D'AMATO (77TH): thank you.


REP. DELNICKI (14TH): Thank you, Mr. Chairman and just to be clear, when you talk about a vehicle getting totaled out, it's because you're unable to get an OEM, a new door or hood or whatever it is?

RICH MONTESI: It's all dollars and cents when a vehicle becomes, deemed a total loss. A car gets in an accident, uh, it's going to cost X amount of dollars to fix the car so if that vehicle, they know they can get more at the salvage pool for that vehicle than the repairs are going to cost, it's an understanding so basically a lot of you know body shops want the work, they want to fix the car, they want to fix it properly, they're you know great body shops in the state, they want to do the job correctly, but if that car gets pulled away from them because they have to buy, you know all brand new body parts and say an engine control modulator that's $3000 dollars that one of us might sell at one of our yards for $300, there goes, there goes, there goes jobs.

REP. DELNICKI (14TH): But I think my point is a lot of the materials, OEM materials just plain aren’t available based on the age of a vehicle.

RICH MONTESI: Well, sometimes that happens on older vehicles, the parts aren’t available, this is true, and a lot of times there's just too pricy. Some of these newer vehicles that are on the road have headlights upward of over $2000 dollars apiece. You know, we're, a recycling yard would sell it for $600 dollars you know to be able to keep that car on the road.
REP. DELNICKI (14TH): Well I've had the opportunity to deal with South Windsor Auto Parts and I think Parker Street in Manchester, both places have provided material. Representative Vail asked a question I think of the previous person that testified and I'm going to ask you the same question. If the OEM part portion was somehow precluded by language and just required the actual methodology of doing the repair work was the only aspect of it, you guys would probably be okay with that?

RICH MONTESI: Well, I have another concern with this. It opens the door to you know OEM repair procedures, in their guidelines, if, you know if they deem, if their writing their own guidelines and they get to the point to where they deem that only their report facility can fix said vehicle, it's going to put businesses out of business so it leaves a lot open. It opens the door for you know a big can of worms.

REP. DELNICKI (14TH): Yeah, I hate to say it, I think you've already got that problem with Ford and their aluminum body pickup trucks that, I'm good friends with Pete at Pete's Car Star and we got into that discussion about some of the new aluminum bodies and unless you're certified by that company, you can't do the work.

RICH MONTESI: This is true, but there are many body shops who are doing the work correctly because they are following their procedures. They are, this is, what happens if you know, they're letting Car Star do it now, but Ford decides they want to open their own body shop and only their body shops are going to be qualified to do said repairs.
REP. DELNICKI (14TH): Yeah, that could be a problem.

RICH MONTESI: This, I see it as a possibility with this bill.

REP. DELNICKI (14TH): Well thank you for your testimony and thank you for the information. Thank you, Mr. Chair.

REP. SCANLON (98TH): Thank you, Representative. Any further questions? Representative Vail.

REP. VAIL (52ND): Thank you, Mr. Chairman. Good afternoon. I just want to go over the OEM piece again. So the OEM part can only be bought from the manufacturer, is that correct?

RICH MONTESI: A new OEM part. What we are selling as recyclers are recycled, reused, OEM parts.

REP. VAIL (52ND): So I have a 2012 Buick, I don’t have a nice one like Chairman Scanlon [laughter], so if, if you had a 2012 salvage at Bill’s or wherever and if the door’s perfect and my door got dinged in a fender bender and I needed a new door for whatever reason, the door's in mint condition, there's no reason why I shouldn’t be able to place -- isn’t there some rule that it can't be any older than the vehicle itself?

RICH MONTESI: Well currently on repairs, the body shop will call and they say I'm working on a 2013 whatever, Mazda, and they will say I need parts same year or newer when they request a part from us, so we will only sell them same year or newer that would fit the car correctly.

REP. VAIL (52ND): If it's exactly the same.
RICH MONTESI: Exactly.

REP. VAIL (52ND): So if a 2012 Buick or a 2011 Buick were the same as a 2012, you couldn’t give me the 2011 door, but you could give me the 2012 or newer door if it fit my vehicle, would that be correct?

RICH MONTESI: Correct, that's exactly correct.

REP. VAIL (52ND): And the part we're talking about here which is such things that this bill would force all the repair shops to buy OEM parts directly from the manufacturers?

RICH MONTESI: Yes, it opens the door for that, yes.

REP. VAIL (52ND): Okay. Thank you.

REP. SCANLON (98TH): Thank you, and thank you, Representative. I was told that Jim is not here so Scott Robertson is the next one up.

SCOTT ROBERTSON: Hello my name is Scott Robertson and I am vice president of the Automobile Recyclers Association. We represent over 4000 recyclers across the country and I'm also owner and president of Robertson's Auto Salvage in Wareham, Massachusetts, and in our family businesses, we have a brand new GMC truck dealership and a body shop, a body shop which I managed for about 15 years so I'm pretty well versed in automobile repairs.

Now, last year we sold a brand new GMC Acadia to a friend of mine, Jonathan Morrow, who got into a small fender bender and I have photos of his car right here which I'd like to present to the people here if I could. As you can see, at first glance there's not too much damage there on that vehicle. The initial estimate was $4400. It was a very minor
tweak to the frame rail which the body shop wrote to repair. In years past, that job would have come into the shop, parts would've been preordered and that job would’ve been out on the street in 3-4 days. Jonathan thought that was going to happen. He called the shop and the shop said, well, we got a little problem. OEM repair procedures do not allow us to repair that frame rail because it's high strength steel. So we now have to section that frame all the way back to the, to the firewall and that's going to bump the repairs up to almost $20,000 dollars.

Jonathan said, oh geez, I really don’t want to do that. I've been driving the car for a week. There's nothing really wrong with the car. It doesn’t pull to the left, doesn’t pull to the right. The accident avoidance systems are still working but you know, if it has to be done, do it. Two weeks go by, shop calls him. Jonathan, we have a problem. There's no OEM procedure on sectioning those two pieces of metal together. We can't fix your car. Look at that photo. Do you think that car should’ve been fixed? That's a $4000-dollar claim that turned into a $48,000-dollar claim for the insurance company because they did have any OEM repair procedures. That's a question you should’ve asked him. Do they have OEM repair procedures on every vehicle they sell and I bet you the answer would be no and that's the ramifications of not having OEM repair procedures.

REP. SCANLON (98TH): Thank you. Any questions from the Committee? If not, thank you for providing this testimony. Catalina Jelkh followed by Joy Avallone.
CATALINA JELKH PAREJA: Mr. Chair and members of the Committee, good afternoon. My name's Catalina Jelkh Pareja. I'm here representing LKQ Corporation. We're one of the leading providers of aftermarket recycled, refurbished, and remanufactured auto parts. LKQ is an active member of the automotive industry here in Connecticut. We have five facilities that provide consumers with alternative, affordable, safe auto parts for motor vehicle repairs. First, I would to thank you for the opportunity to testify before your Committee. We are in opposition to House Bill 7266.

LKQ strongly opposes the auto parts restriction that comes from the requirement that all motor vehicles should be repaired following OEM repair procedures, recommendations, directives, technical bulletins or any of those sort of documents. Those documents favor the use of brand new OEM parts for all motor vehicle repairs so in any given industry, the original manufacturer would almost every single time recommend the use of their own part, so that is a monopolistic tool to control prices in the market.

We believe that House Bill 7266 is discriminatory against our industry. The provisions of the bill may wrongfully persuade committee members and consumers alike to believe that alternative parts are somehow inferior compared to the brand new OEM part. In general, we oppose any kind of legislative measure that would create a one-sided advantage to OEM parts and just virtually eliminating the possibility for us to provide alternative safe, affordable, quality auto parts for consumers here in Connecticut.
The bill as currently written would eliminate competition. That reflects in higher prices for repairs, higher prices for parts and the end result would be higher insurance premiums. Proponents of this type of legislation normally make an argument that aftermarket parts are related to safety issues. They’ve made false arguments and claims against aftermarket parts; however, there is no compelling or conclusive evidence that aftermarket parts are related to injury, death or any kind of accident and I would like to point out to NHTSA which is the Federal Agency that oversees motor vehicles and transportation issues. NHTSA has concluded that aftermarket crash parts are not related to motor vehicle safety.

Also, the insurance for highway safety has evaluated aftermarket crash parts for over 30 years and over and over they conclude that crash parts are cosmetic in nature, and they're irrelevant to motor vehicle safety so without scientific evidence or any kind of real evidence that proves that aftermarket crash parts are motor vehicle safety, we believe that this type of legislative measure is just monopolistic in nature. As such, we respectfully ask you to reject this bill and allow Connecticut consumers to continue to repair their vehicles with aftermarket recycled, refurbished and remanufactured parts. I am here for questions if you have any and I would respectfully ask you to please consider this bill.

REP. SCANLON (98TH): Thank you, Katalina, for your testimony. Any questions from the Committee? Seeing none, thank you. Joy Avallone followed by Jeffrey Webster.
JOY AVALLONE: Mr. Chairman, ranking member, members of the Committee, good evening. I am Joy Avallone, General Counsel of the Insurance Association of Connecticut. I want to thank you for allowing me to come before you and offer comments in opposition to House Bill 7266. The IAC strongly opposes this bill because it places an undue burden on consumers to provide written authorization to an auto repair shop in order for them to deviate from recommendations of OEM. This bill makes OEM recommendations a standard practice even though, as you’ve heard, those recommendations typically require shops to use more costly parts than necessary and also services. This practice would drive the cost of repairs up significantly, which would result in a windfall for the auto repair shops and car dealerships and also the OEM's, and in turn, case insurance premiums to skyrocket for consumers. Insurers typically already assess OEM recommendations on a case by case basis to where OEM has requirements that typically follow those in terms of recommendations. Like I said, they assess on a case by case basis and where are there quality parts out there that are less costly, they will utilize those parts and the reason why they do this on a case by case basis is because most manufacturers have a plethora of recommendations that just simply are not necessary for a proper repair.

For instance, OEMs will typically recommend the exclusive use of all OEM parts, including crash parts in all repairs. Crash parts are typically parts used on the exterior on the car and have no impact on the safety. Crash parts typically fall into two categories, OEM parts and non-OEM parts. Non-OEM parts are either generic parts or
refurbished parts, as you’ve heard. So non-OEM parts may actually be of better quality, more widely available or even less expensive than OEM parts so in the cases where OEMs are recommended, exclusive use of those parts, it really serves no purpose other than to drive profits for OEMs and original auto body and car dealerships.

So the use of non-OEM parts in the repair of vehicles really contributes to holding down the cost of repairs and helps keep auto insurance premiums low for consumers. For the top 100 collision repair parts used by consumers from 2009-2014, Americans saved $363 million by using aftermarket parts as opposed to OEM parts. Taking into consideration the amendment that was offered by earlier testimony, and restricting the bill to OEM recommended services is really going to have the same effect as keeping it as broad to applying to all recommended use of parts and services because those recommendations typically will require that the services be done in a dealership or using tools that are the OEM brand which are typically found in these auto body shops.

Furthermore, without a viable market allowing for the use of non-OEM parts, auto makers will have a monopoly on the replacement part industry and costs for consumers will again skyrocket so for the aforementioned reasons, I do urge you to reject this bill.

REP. SCANLON (98TH): Representative Vail.

REP. VAIL (52ND): Thank you, Mr. Chairman. Good afternoon. You mentioned that people, that Americans saved $363 million dollars last year or in one calendar year?
JOY AVALLONE: That was from 2009-2014.

REP. VAIL (52ND): Okay. So over a five-year period. Has your industry crunched the numbers to see if a bill like this were to go into effect, how that would affect peoples' premiums directly?

JOY AVALLONE: They may have, but if they did, they --

REP. VAIL (52ND): They haven’t shared that information with you?

JOY AVALLONE: Right, I don't have that with me.

REP. VAIL (52ND): So is it going to go up by 10 percent, 3 percent, 50 percent, there's no --

JOY AVALLONE: Unfortunately, I don’t have [cross talk].

REP. VAIL (52ND): All right, thank you.

JOY AVALLONE: I do believe that non-OEM parts or OEM parts, typically price almost 50 percent higher than non-OEM parts.

REP. VAIL (52ND): Okay. And if there is any data on that, if you could share that with me, I would greatly appreciate it.

JOY AVALLONE: Yeah, I also should indicate that there are endorsements available for policies if a consumer would prefer to have all OEM parts used in the repair of their vehicle, that they are able to purchase that so you don’t have to, all consumers don’t have to bear the cost of having that available to them.
REP. VAIL (52ND): And if there is no, if my car, you know a front fender and they can't find a used part, they will allow an OEM part?

JOY AVALLONE: Um, I, I--

REP. VAIL (52ND): I mean they have to fix my car right?

JOY AVALLONE: Right, exactly, that's a policy, it depends on the language of the policy, but I assume that would be the regular course of business.

REP. VAIL (52ND): Okay. Thank you.

REP. SCANLON (98TH): Any further questions? If not, thank you Joy. I'm told Jim Eitvydas has come back into the room so if he wants to come and testify, we welcome him to do that. If you could just say your name for the record cause I know I definitely pronounced it wrong.

JIM EITVYDAS: Jim Eitvydas.

REP. SCANLON (98TH): Eitvydas. All right.

JIM EITVYDAS: Thank you for letting me speak. I'll just be brief cause a lot of stuff was covered already. When a car gets into a collision, repair estimates get made out by either the body shop or the insurance company. They do have access to all our parts at that point electronically. All our parts usually go into a big database and go into the insurance company, the body shop estimating system, which is either CCC Mitchell or, there's three major ones, but they see all of our parts right then and there so that's when they can make the best choice to repair the car and like the girl just said, there
are different policies that the people could get in order to repair the car.

Our recycled parts are very good value to the people, not with the brand cars, with the earlier cars that are just on the verge collision and that's where we can help, we do help every single day in repairing those cars so the guy can go to work the next day and not have to buy a brand new car. I've had my auto recycling facility, it's called Tom's Foreign Auto Parts in Waterbury, since 1985 so we've been there about 35 years and that's what we do; we specialize in late model foreign cars take them apart and sell the parts and we sell the parts all over the country and a lot on the internet.

REP. SCANLON (98TH): Thank you for your testimony. Any questions from the Committee? Representative Pavalock-D'Amato.

REP. PAVALOCK-D'AMATO (77TH): Hi, Jim, how are you?

JIM EITVYDAS: Good.

REP. PAVALOCK-D'AMATO (77TH): I know Jim so I just want to thank you for coming and your wife too. I want to ask the same question that everybody has been asking as far as the service, if the service, or if the parts was clarified or taken out, would you support the bill then or how do you think that part will?

JIM EITVYDAS: Well my only worry was what Mr. Montesi said, was that if you keep that, where it says deviate between collision, I'm trying to remember what it says now, the procedures of the collision repair industry or OEMs, if this became a law, then every time that they decided to change a
procedure, the way they repair the car, changes the law so that's like a fox in a henhouse so they can, if that's what that does.

REP. PAVALOCK-D'AMATO (77TH): And I think somebody else might address this but I was thinking if, he had mentioned if it wasn't addressed or if there was you know, in the let's say the body shops judgement, it had to be done differently for whatever reason, you know I think that isn't necessarily addressed in this and probably a lot of different situations are necessarily addressed if it's, if we're just allowing or requiring them to follow that procedure. I think maybe, possibly some language as far as the best, I don't know.

JIM EITVYDAS: Well everybody wants cars repaired correctly

REP. PAVALOCK-D'AMATO (77TH): Right, best procedure, safest, something like that, some language where it can encompass different situations and not just you know one cookie cutter for every situation so.

JIM EITVYDAS: Right, we just don't want any monopolies on how either the consumer, the insurance company or the consumer has, make sure they have a choice in repairing their vehicle.

REP. PAVALOCK-D'AMATO (77TH): Thank you very much.


JEFFREY WEBSTER: I will say good afternoon. I believe it could still be in that area of time. Dear Chairs, ranking members and members of the Insurance Committee. I am here to oppose Bill No.
7266. I am amazed at the fact that the gentleman who wanted us to have new OEM parts was fiercely defending it. My first question to anybody would be, when did the OEM part that you're representing become substandard when it got wrecked on the left front, or somewhere on the right rear door. You built those parts. You said they were perfect, they're brand new parts, OEM quality. Now, in my opinion, if you want to just change the wording of this bill so it's more palatable, include OEM-used, don't include scrap parts with some negativity. Nobody being holier than thou. These are used automobile parts that your companies created. Man up and accept them. They're good.

REP. SCANLON (98TH): Sir, if I can, you gotta direct the stuff towards us --

JEFFREY WEBSTER: I'm sorry.

REP. SCANLON (98TH): That's okay.

JEFFREY WEBSTER: They're money saving.

REP. SCANLON (98TH): You can talk about them, but just look at us. [laughter]

JEFFREY WEBSTER: Okay, fine, we're good. All right, my company started in 1955. A lot of things have changed since then. You know my dad was the sole provider. During that period of time, myself and another, there were about 110 salvage yards in the state. They had provided jobs and incomes for many, many families and security. We helped the local industry, the local population with smaller parts to repair their own cars. When a person comes to a body shop and they’ve had a collision and they have a car that is, it's paid for, but they still
have insurance on it and the body shop says to them well there's $8000 dollars' worth of damage on your car, it's only worth $9500 dollars so we're going to have to consider it a total loss. At that point in time, the body shop can say listen, OEM used auto parts are available at a savings of probably 35 to 40 percent, we can save your car if you will agree to use parts off a similar car, like a 2013 Buick as opposed to a 2012 Buick, put that door on a car, good as new.

Now, I don't see where the OEM manufacturer is cutting a magic line to say this product's no longer OEM. I would also like to say, as I spoke to many body shops in my area, and they felt that they would probably lose 20 to 25 percent of their business if they were strictly held to the guideline that they had to replace parts with only new OEM products. Loss of revenue, loss of jobs. I have figured this out that approximately 85 percent of our income, our salvage industry is derived from the sale of used automobile parts. We'll get 15 percent for scrap, whatever. If you take 85 percent of anybody's business away from them, it's a death sentence.

Now auto recycling and auto scrap industry is the eighth largest industry in the country. It's massive, it's incredible. You would just destroy hundreds of lives. I mean think about what you're doing. It's just because somebody wants to have a monopoly. I believe it's wrong. Thank you.

REP. SCANLON (98TH): Thank you for your testimony. Any questions from the Committee?

JEFFREY WEBSTER: Much obliged. Thank you.
REP. SCANLON (98TH): John Parese followed by Tony Ferraiolo.

JOHN PARESE: Hello, good afternoon, evening. My name's is John Parese. I represent the Auto Body Association of Connecticut. I'm their general counsel. Representative Scanlon, members of the Committee, thank you for giving us the opportunity to be here today. I'll just address the gentleman who previously spoke. I thought that Mr. Weikel was quite clear in his presentation and it's something that ultimately we've probably come to adopt is this idea that this bill is focused on procedures and not on parts. So I know Mr. Weikel can't come up here and say that, but I'm sure that's what he's screaming in his head at the moment.

This is an important issue. The idea of how a vehicle is repaired is of critical importance and when you look at the John Eagle case, this is not a reactionary legislation I think as was suggested earlier, but when you have repairs that are deviating from the standard of care, there are consequences to that, very real consequences and I think the John Eagle case just highlighted that in a way that was profound, and something that we should take note of.

The purpose I understand of the bill is to take insurer interference out of the repair process and when you talk about what is the standard of care, I'm a lawyer and we think about that in the contest of negligence or medical malpractice, what is the standard of care that should be followed here and if you look at the statement of the Society of Collision Repair Specialists who are, as they purport and I supplied a copy of this in my
statement, they're the largest national organization representing auto repair shops, that the OEM published repair procedures serve as a baseline for the industry repair standards. There's no question about that, and I'll also cite to what Mr. Weikel said earlier, which is there is no credible argument to suggest why any repair procedure other than the one produced by the vehicle's manufacturer should be followed. There's no debate about this. It is the standard of care and so there really should not be any basis for objecting to that.

I do have a request, however, for revision to the language and there are two specific requests that I would point to and I have it right here and I think it's of critical importance to our group and that's that when you look at what you're trying to do, there is no insurance policy for example that say you can't follow OEM guidelines so with the language that currently is written, we actually don't support that as it's written, but we think it could be easily modified to say if a physical, no physical damage appraiser or insurer can request that motor vehicle repairs deviate from the guidelines and we think what that does is it simplifies that a bit and it makes it more applicable to what's actually happening in the market where you have appraisers showing up trying to tell licensed repairers how to fix cars, so that's I think the goal here.

And then with regard to the request that was made earlier of adding a provision to the, to the bill to exclude the parts, I would just say we agree to that and I think there's a lot of concern from the recyclers and from aftermarket goods. We don't love the parts but at the end of the day, that's enough of a concern that I think we can obviate it by
getting rid of it and my only request would be we support what's been proposed, the only request I would say is they make a distinction in that request that it applies to an insurance-funded repair and our position is that it should apply to any repair. Why would an insurance-funded repair be treated differently from a non-insurance-funded repair? We believe that's something that should be equivalent. You should get the same quality whether insurance pays or not.

The other thing I would like, and I know my time's probably running low. There were a few points that were addressed earlier I just took notes of that I wanted to maybe respond to briefly. There was a question about why would the insurer be responsible for what happened in the John Eagle case for example. The insurer bears no liability for repair decisions. The quality and the responsibility for repair comes down exclusively with the repair shortness of breath. And that's why it's easy for the insurance company to sit back and say do it on the cheap cause they bear no risk or responsibility if there are consequences to that. Their focus is just on the bottom line.

There was also a question about who makes the final call on part selection. That would be the repair shop in consultation with the consumer. The insurer has no say in that. They don’t fix cars and that's the underlying point here. I think insurance companies, they don’t fix cars and they shouldn’t be fixing cars. And there was also comments about if there was OEM procedures in place, then consumers would be forced to go to for example Ford shop or what not. We have an anti-steering law in this state that says very clearly, a consumer has a right
to choose the shop of their choice so by mandating essentially the basic standard of care that already exists, doesn't change a consumer's right to choose so I don't think that concern applies. There were various comments made about parts which candidly, I don't think we need to address because it's our position that if you took parts out of it, it would get the effect that we're looking for which is let repairers fix cars, let insurers underwrite risks.

REP. SCANLON (98TH): Got it.

JOHN PARESE: And I'm happy to address any questions anyone might have.

REP. SCANLON (98TH): So I've learned more about car collision practices in the last hour than I thought I ever would in my life, but I want to try to understand, John, where you're coming from. So if I hear what you're saying and read your testimony and several correspondences that you and I have had, your target was never the recyclers which seem to be here in force today concerned that there is a target on their back under this bill. Your target was more in line towards the insurance industry to dictate what you guys can do for your customers. Is that fair to say?

JOHN PARESE: Yes, exactly. So I represent a lot of auto repair shops. So I hear the stories and so forth and Anthony Ferraiola is here from the Auto Body Association and he can speak to this as well, but what happens on the, you know on the street and in these shops is they deem, because they're licensed and trained and so forth and bear the responsibility for a particular repair, they deem a certain procedure to be necessary, and the
manufacturers are saying this is either what we require or recommend to do the job correctly.

And then the insurance appraiser comes in, someone who has no training or experience in auto repair, and they say well you do what you want, we're not paying for it and it puts a ton of pressure on the repairers and many of whom are stuck in this position, and there is really a misguided understanding in the market right now that the insurance company dictates how a vehicle should be repaired. I've heard other lawyers say that, I've heard judges say that. There's a total misunderstanding about, and I'm not sure how this happened, I think over many years of kind of a convoluted system, but the idea from our perspective is really just let the repairers do the repair correctly and what's the standard of care, follow the OEM guideline and it will give them a little ammunition for when the appraiser comes in and says -- and that's why I want that appraiser piece added if you would, because those are really the prime offenders, the insurer through the appraiser coming into the shop saying either this is how we want you to do it, or this is how we're going to pay for it.

REP. SCANLON (98TH): So you have and your, members of your association have no, you know discriminatory feelings against parts that are coming from the recyclers, right? You use them all the time, right?

JOHN PARESE: I believe that is the case, yes.

REP. SCANLON (98TH): Okay. It's just, it's more towards the insurance companies forcing customers to use those parts versus if they choose perhaps to have an OEM part.
JOHN PARESE: We believe quite firmly that it should be a matter of choice okay because you might get a consumer that comes in and says, I have a 12-year-old vehicle, I don’t want a big fancy part and if between what the consumer is choosing and the repairer says, I can do that safely, then that should be a decision they should be able to make.


REP. VAIL (52ND): Thank you, Mr. Chairman. Good afternoon, good evening. How many auto repair shops do you represent?

JOHN PARESE: Tony could speak to that better, but I want to say about 120.

REP. VAIL (52ND): One hundred and twenty, are those all in Connecticut?

JOHN PARESE: Yes.

REP. VAIL (52ND): And how many auto repair shops exist in Connecticut total?

JOHN PARESE: That number's been fluctuating and again, Tony could speak to that, but I want to say it's close to 500.

REP. VAIL (52ND): Okay. And, cause I never heard any, you know I work with people, I've never heard that there were product-based issues that I recollect in this before where there was a problem with this and what do you say to the, well I guess that's the part piece, that this is going to drive up insurance rates for customers?
JOHN PARESE: I don't believe it will have any impact on premiums. Essentially what we're talking about is standard of care.

REP. VAIL (52ND): What's wrong in my 2012 Buick if the insurance company, if it's feasible, wants to put a 2012 door back on my car that's in mint condition? How is that a problem? If that's a problem, I don't think we're, I just don't see the problem here in Connecticut based on one court case in Texas.

JOHN PARESE: Yeah, I would say the problem in Connecticut is very significant. If you talk to, and Mr. Ferraiola could speak to this more directly, as he's been really leading the Auto Body Association for the last, I don't know, 10-15 years, but the Texas case only highlights and we only point to that as a highlight because a lot of times, what happens is the consequences can't be readily seen, or if there's an accident, you know I represent a lot of people who are injured in car crashes and I'll tell you, it's much easier to sue the person who rear-ended you than the person who repaired the car you know eight years ago who didn't do it correctly, causing my air bag not to deploy. It just becomes a really difficult thing to, to you know prove in court and get all the forensics and so forth and again, Tony could speak to this, they regularly will inspect vehicles that have been repaired, and they will see that they were previously repaired incorrectly and many of the insurers are putting pressure on the shops to do the jobs on the cheap, save costs, and that deviates from OEM standards which is the standard of care, so I think it's a big, it's a real big problem.
REP. VAIL (52ND): Well, you know I can hear, but to me, the shops still have to do it the right way regardless. The ownness is still on them.

JOHN PARESE: Agreed.

REP. VAIL (52ND): And you know I don't, I don't know that I see the problem the way you're putting out and there's no case law in Connecticut as Representative Pavalock-D'Amato asked someone earlier similar to the case in, we have no cases in Connecticut that have to do with repairs.

JOHN PARESE: I'm not aware of any cases similar to Texas where a repair was done incorrectly that resulted in someone being badly injured like that case, but to address your earlier point, I agree with you that the repair shop does have to do the job correctly. The problem is that many of them can't shoulder the cost of that on their own and the economic pressures of saying well, if you do it correctly, which would cost say $9000 dollars, we're only going to get paid $8000 dollars so you've got to eat that $1000 dollars, and a lot of shops just won't do it because they can't eat that $1000 dollars all the time.

REP. VAIL (52ND): But still there would be nothing to prevent them from legal action, correct?

JOHN PARESE: Correct.

REP. VAIL (52ND): Okay. Thank you.

REP. SCANLON (98TH): Thank you, Representative. Representative Pavalock-D'Amato.

REP. PAVALOCK-D'AMATO (77TH): So, and this might be in the other, somebody else's testimony I think that
they provided, written testimony and suggestions, what's your last name?

JOHN PARESE: Parese.

REP. PAVALOCK-D'AMATO (77TH): Okay. So I'm looking at somebody else's. So what if we took the amendment and we shifted the risk until we said that if an insurance company requested deviation of the guidelines, that then the burden shifts to the insurance company and now it's the insurance company's burden to prove that they, what they suggested was better than the guidelines? Do you think something like that would fly?

JOHN PARESE: No, candidly, I think that it doesn't frame the issue quite right. The insurance company really has no say whatsoever in how the vehicle is repaired so, and we're not looking for that. Really, the only one that can designate how the vehicle should be repaired is the repair shop. We're looking for legislation to give repairers some ammunition in that regard. So all we're saying is we think insurers should be prohibited from telling repairers how to repair cars, but that would not shift the burden to, under no scenario is an insurer every responsible for a repair decision. They wouldn't be even under this law.

REP. PAVALOCK-D'AMATO (77TH): But if they're not suggesting that they not follow, I mean in the case at least that you were discussing, isn't it the insurance company that said we don't, I don't want you to follow that, I want you to, wasn't that, those are the facts that you provided?
JOHN PARESE: That's correct, but the insurer was never held responsible, the shop was. The insurer bears no legal responsibility.

REP. PAVALOCK-D'AMATO (77TH): And they didn’t say, they weren’t in that case, I'm not saying in general, but in that case they weren’t either? Even though they were the ones that said?

JOHN PARESE: It's the shop that's responsible.

REP. PAVALOCK-D'AMATO (77TH): Well I could see how both of them would be, I mean, the shop, yes, but if it's the insurance company saying hey, we're not going to cover it unless you do this then.

JOHN PARESE: I believe there may be litigation by the shop against the insurer to try to bring them into the case, but the underlying suit was by the victims who got trapped in their car and were burned, against the repairer.

REP. PAVALOCK-D'AMATO (77TH): Right, no, that's part I understand but the, but did that happen? Did they try to I think?

JOHN PARESE: I think it was a subsequent litigation and I don't know the status of it, but I think there was some attempt by the attorney who represented the family to try to bring the insurer in and I don't know if that was ever able to be done.

REP. PAVALOCK-D'AMATO (77TH): Okay. Thank you.

REP. SCANLON (98TH): Thank you, Representative. Representative Delnicki.

REP. DELNICKI (14TH): Thank you, Mr. Chair and thank you for coming forward with your testimony. You know it almost seems like the cost of this
entire problem is at the person that comes and does the appraisal of the repair because the insurance company may not be telling a repair shop how to do the job, but if they aren’t giving them the appropriate amount of money to be able to do the job, in essence they're dictating what kind of job is going to be done. Is that a fair comment?

JOHN PARESE: Yes, so a repair shop creates a blueprint for what it intends to do and a final invoice for what it actually did. The insurance company prepares an estimate for what they expect it may cost to do it and if their estimate assumes so much money and they say this is the amount we're willing to pay, but it actually costs more than that, then in effect, what a lot of shops are doing is either they're not doing the job correctly so they can you know not eat that cost, or they're eating it. I know a lot of shops from the Auto Body Association are just patently unwilling to do the job as they're being requested and they either take it on the chin, or the bring lawsuits for it, small claims lawsuits which are grossly inefficient.

REP. DELNICKI (14TH): You know it's interesting you talk about the OEM replacement parts because I had somebody bring it to my attention, one of the particular companies that, they're big on the internet and they have commercials with a general's star on somebody's helmet, and their policy as it was reported to me was if you have a 2012 car, you're not going to get OEM new. You're going to get a 2012 part, period, and this person had the situation where they had their car damaged, a door, and they couldn’t find a replacement door of that vintage and literally, it was hanging in the balance until they were able to find one. Now, I think a
lot of it goes back to the appraisers, but to the point of the car repair facilities, the body shops that have a direct agreement with insurance companies and they seem to be doing a pretty good, is that a fair comment?

JOHN PARESE: When you say they're doing a good job, what --

REP. DELNICKI (14TH): Okay in repairing a vehicle, there's a number of companies, they're almost like a franchise dealership for auto body repairs. They have working agreements with various automobile insurance companies and basically, what they tell them on the estimate the insurance companies typically will give them, and they actually do the appraisal.

JOHN PARESE: So you're referring to direct repair networks which is something that insurance companies and shops have a contractual arrangement and the premise of that is, we as an insurance company will essentially funnel you work in exchange for your agreement to do things for us on a cheaper scale, it's a scale, and it's not necessarily a bad thing. I have concerns in what I've experienced as an attorney representing a lot of shops in that oftentimes, there's such pressure put on the body shop that's been contracted to do things as the insurer wants, that it can compromise the quality of the repair and there are cycle time requirements whereby a vehicle has to get fixed within so much time and/or the shop gets put on the hook for the cost of the rental car if it's not done, so there's so much pressure put on the repairer to get the car done very quickly, and also, oftentimes with the parts that the insurer decides and so structurally,
I have a problem with this because it gets at the heart of my initial point which is we need to take insurance companies out of the business of choosing how vehicles are repaired.

We all respect the idea that you know consumer premiums are important, cost should be kept in check. We don’t object to those things. I mean I know a lot of the testimony regarding the use of these parts also keeps costs down. We are aware of that and we respect that, but what happens is, the pendulum has swung so far toward insurers dictating how vehicles are being repaired now that the quality is being compromised to such a degree that we're here now having to ask this Committee to essentially create a law that establishes what the standard of care is, which is really, it's already, there's no debate about it. There's not one auto repair association, and if you listen to all the testimony, of anyone objecting to this, I implore anyone to come up here, whether it be in objection to this bill or from anywhere in the industry to come up here and say the OEM standard is not the appropriate applicable standard for a safe repair. No one will say it because it's not.

REP. DELNICKI (14TH):  I appreciate, oh one last comment. What do you think of, and it's one company with the, the ad was you take a picture of the car with the accident, you send the picture to them and they'll do the appraisal off of a photograph?

JOHN PARESE:  That's a great question because I've been involved in the last several years of writing extensive letters to the insurance department about this issue, the photo claim. It is terrible. I will give you one, okay a story about the photo
estimating. A customer comes in, takes a picture of their hood, says my car has been damaged, sends it up to All State, okay? All State says okay, bah, bah, bah, we'll process this, we'll get you your check. Customer's driving down the highway, boom, the hood flips up, okay? Now you're on the highway going highway speed, the hood flips up, crashes the car a second time almost kills how many people on the road. Why is that? Because they're taking pictures. Okay so our position as an association is physical damage appraisers should look at the vehicle and Mr. Ferraiolo can take about this as well. Customers have to come his shop with rim damage that no way should this vehicle be driven. The idea is that many consumers will take a picture and then instead of having the car repaired, they'll just say okay I'll take the $500 bucks and put it in my pocket, but if they had taken it to either a licensed repair or even had an appraiser from an insurance company look at it, someone with physical, you know, sight, hands and eyes on the car will tell them, you should not be driving this car. So we've attempted to address this issue for some time now. We object to it and I think the Insurance Department has looked at it like it's a convenience, but we think it's really a safety issue.

REP. DELNICKI (14TH): All right, I appreciate that cause in mild wildest dreams, I can't understand how you could take a picture of a vehicle that's been in an accident and then be able to file a claim based on that and get any kind of appraisal that makes any kind of sense because I hate to tell you, when I was looking at some classic cars, how many times I saw a picture and it looked great in the picture and then
I got out there and it was like the rent or wreck. Thank you.

JOHN PARESE: We could say that about many dating apps, but we won't go there.

REP. DELNICKI (14TH): I'm not going to comment on that.

SENATOR LESSER (9TH): Okay, this Committee's getting a little loopy. Are there questions or comments from members of the Committee? Yes, Senator Bizzaro?

SENATOR BIZZARO (6TH): Thank you, Mr. Chairman and thank you for your testimony. I appreciate it and as Chairman Scanlon said earlier, I've learned quite a bit sitting here listening for the past hour. I'm going to ask you to help me understand a couple of things though. Where is the, how do insurance companies now require repairers to adhere to the OEM procedures? I mean aside from practically speaking. We've been talking about the, you know the pragmatic problem that we have in that they control the money and therefore, they're able to dictate, but is it in a policy somewhere? Is it in a contact between the repairer and the insurance company?

JOHN PARESE: No, and I'll say, that's a great question, I appreciate you asking it. I appreciate all you folks giving me this much time, I genuinely do, and for considering this issue. There is no contractual arrangement or duty between the insurer and the repairer. The duty between, the duty follows from the repairer to its consumer, you know to its customer and from the insurer to its customer and that's why the request that we've made I think
is really critical to, and I've outlined it in my written testimony. I'm not aware of any insurance policy that mandates a deviation for OEM standards so you don't really see that. So when, what exists in the proposed bill is an idea that we're prohibiting insurers from putting in their policies any language that would deviate from OEM. So my concern is then that's not really addressing a problem that doesn't exist if that answers your question.

SENATOR BIZZARO (6TH): Well that's, and that's what I'm getting at. So you're worried about, you want to preempt this prospectively because right now, by your own admission, there's nothing that exists in policies, in general terms, that allows the insurance company to dictate this, right?

JOHN PARESE: Correct.

SENATOR BIZZARO (6TH): Okay. But the language of the bill clearly says that no motor vehicle insurance policy essentially issued in the state shall require a repair shop to deviate from OEM procedure. So you're trying to, what you want to do is you want to preempt the insurance companies from doing it in the first instance.

JOHN PARESE: Exactly.

SENATOR BIZZARO (6TH): But that's not happening now, legally speaking, other than the real world scenario where you're talking about you know indirect control over the way the repair is done and the parts that are used because the insurance companies have the money. Right? I mean there's nothing, we're, the language of the bill clearly says that going forward, if this were to pass, that
no insurance policy is going to be able to require any repair shop to deviate from OEM standards?

JOHN PARESE: I agree with you that the way the bill is drafted is addressing a problem that doesn’t exist.

SENATOR BIZZARO (6TH): All right, I'm not going to beat that horse I just wanted to clarify that and then one other question for you. We haven’t talked too much about this. The second portion of this bill that would require the owner, the consumers written authorization in cases where there was a deviation from the guidelines or a different part used. Do you think that that would offer and additional shield from liability for the repairers that you represent?

JOHN PARESE: I think, yeah, I think it could for sure because I think at the end of the day, if the consumer is making a decision that, and essentially instructing the repairer not to follow those guidelines for whatever reason, then I think that it could act as a shield against the claim down the road that you didn’t follow the OEM guidelines, but it begs a more complicated question in terms of you know does it, you know does a consumer know enough to make that -- there may be certain, I think situations in which the shop says I just can't do that because there's no scenario in which I can make your car -- I think at the end of the day, either way the shop needs to make the car safe.

SENATOR BIZZARO (6TH): Right, but that's my concern is that, you know you may have a situation where a consumer just defers to the repairer and then now we have a written authorization that's on file and so we take that case that we've been talking about and
you know my colleague to my left here mentioned that this would not preempt any sort of negligence actions against the repairer, but if you have a written authorization that signed off by the customer, then it might. It probably will.

JOHN PARESE: I think my perspective as a, you know as a litigation attorney doing a lot of negligence claims and so forth, under no scenario can you not fix the car safely which would be the only basis upon which you'd have litigation against the shop so I don't think you can for example, in the same that you can't waive your right in, you know a sporting event or something, you can't waive someone's act of negligence, but you waive a risk that's inherent in that activity through a signed waiver. You know I'm going to go rock climbing or whatnot, if your rock climbing and you fall and get hurt, then you know that's an inherent risk in that activity, I signed a waiver but if you know the owner of the rock climbing gym is shooting you with a BB gun, well that doesn't disclaim it. I think in the same scenario, the repair shop always has to make the car safe.

SENATOR BIZZARO (6TH): Okay. Thank you. Thank you, Mr. Chairman.

SENATOR LESSER (9TH): Thank you, Senator. Other comments from members of the Committee? If not, we will let you off easy with only a couple of questions. Thank you for your testimony. Next up we have Tony Ferraiola from A&R Auto Body followed by Michael Arcagnelo.

TONY FERRAIOL: Okay. Good afternoon, good evening, wherever we're going here. I first want to say --
SENATOR LESSER (9TH): It's not morning yet.

TONY FERRAILOLO: I first want to thank the Committee. I'm sitting back listening to some great questions. I'm glad you're asking these questions. My name is Anthony Ferraiolo. I'm the owner of A&R Body Specialty in Wallingford for 29 years, also the past president of the Auto Body Association and current Board of Directors for the Auto Body Association of Connecticut. I’m here to testify on raised bill No. 7266. First I want to say, 1.25 million people die in road crashes each year, 20 to 50 million are injured or disabled, 3287 deaths per day are associated to road crashes. That's why the seriousness of repairing cars properly today is why the manufacturers are suggesting repair procedures and putting systems on cars to make them safer.

I would like to take a moment to emphasize how far we have come as an industry. Vehicle technologies have changed at the speed of light. Consumer demand for the latest in safety and electronic systems is pushing innovations in the auto industry at a rate that is challenging to keep up with, especially in the context of repair. To properly and safely repair today's on-board systems, known as Advanced Driver Assist Systems, requires information, education, training and specialty equipment. The best and most reliable information available for how to safely and correctly make those repairs comes from the vehicle manufacturers, known as the OEM's.

The days of winging it based on this is how I’ve always done it are long gone. The safety of the motoring public depends on licensed repairers placing safety as the number one priority. If a
vehicle is not repaired with the requirements of the OEM manufacturer, the safety systems might not preform the way the manufacture designed them. This could and has resulted in great tragedy.

Despite its best efforts to constantly push for cheaper, faster repairs, the insurance industry has no place in determining how a vehicle should be repaired. This is not within an insurance company’s field of expertise, nor are they licensed to perform repairs. Insurance companies do not repair vehicles and should not be given the ability to make repair decisions. I appreciate the insurance industry’s incentive to drive premiums down, we all do, we all pay premiums for insurance, but cutting corners to depart from industry recognized standards is not worth the risk or minimal savings.

Today’s vehicles will simply not support this insurance driven model. This is not about auto body repair shops making more money. This is about putting families and children back in safe vehicles repaired in accordance with industry recognized standards. At my shop, I always follow OEM guidelines and procedures. We do that because it’s the right thing to do. Insurers should not be allowed to pressure repairers into compromising consumer safety. It's just not right.

Now, I'd like to comment on the people sitting behind me here. Most of them, I do business with. I have no issue with the auto recyclers. Their parts are OEM recycled parts. If they are usable, safe parts, there is a viable place in the market for those parts so I have no issue with these guys and not looking to take any of their thing. Parts is not what this is about. We've already, everybody's made this clear. This is
not about parts, but what it is about is drivers driving a car that they're used to that car stopping in the event the car in front of them stops. If that car's not repaired properly and a camera is 2 percent off on the angle of vision, that car may hit the car in front of them where they normally are getting used to now these systems stopping the car, steering the car, avoiding collisions. If that car's not repaired properly, it's putting them in harm's way and they don't even know it. They think their car's going to perform because the last time, they almost hit the car in front of them, but the car stopped. This time, they hit the person in front of them. Why? Because maybe their windshield was changed and the camera that was in there was not recalibrated, or maybe the part was defective and the camera was on the wrong angle. So there's a lot going on in the technology of these cars, and the only one to make that repair decision is the repairer based on OEM standards of where we get our information from. It's that simple.

SENATOR LESSER (9TH): Will you please summarize?

TONY FERRAILOLO: We're not looking to monopolize any kind of market in any type of way. And this is all about safety and consumer choice. If a consumer has an older vehicle and says can you repair my vehicle --

SENATOR LESSER (9TH): Mr. Ferraiolo, your time has expired.

TONY FERRAILOLO: I am sorry. Are there any questions from the Committee?

SENATOR LESSER (9TH): Thank you for your testimony. Are there questions? Yes, Representative Vail.

REP. VAIL (52ND): Thank you, Mr. Chairman. Good afternoon, good evening. So let's go over a scenario. I come to your shop. I've got a claim,
damage to the front end and the insurance appraiser comes out. They tell you how to fix it. You said this isn't about parts, it's about -- do they tell you how you have to fix it?

TONY FERRAIOLO: No, they, well they suggest on an estimate to the customer how to repair the car. I, in my shop, I'm the only one that makes the decision on the scope and methodology of how that car is being repaired. They may not reimburse for the full repair, and then the customer has to decide if they want to pay additional monies to have their vehicle repaired properly because their insurer is not indemnifying for what is needed to repair that car, but I do not allow them to tell me how to repair a car, no.

REP. VAIL (52ND): And I wouldn't think that you would. So I want to know the scenario where they're coming in and if you could specific scenario where someone comes in with a car, it needs to be repaired, and they weren't able to get the amount covered for that claim?

TONY FERRAIOLO: A scenario about that?

REP. VAIL (52ND): Yeah, a specific scenario, right?

TONY FERRAIOLO: Of how we would handle that?

REP. VAIL (52ND): Yeah, when does this happen where they, you know, you're going to get X amount from the insurance company, they come in, cause I still see this as a part thing. They say well you can use a 2012 Buick right front door that's in mint condition or newer, you can fix this highlight, halogen this and that and the other thing. You've gotta get some -- I wouldn't think they would tell
you how to fix a frame or how they would do that. They come up with a dollar amount. Don’t they go over that with you? They sit there and they come in and they punch it all into their computer and then they go over that with you?

TONY FERRAILOLO: Well they, yeah, they do go over it and they will say that we're allowing for used parts, aftermarket, imitation parts on this vehicle and this is the cost that we've established for the repair. They can suggest, we believe this part can be repaired, but at the end of the day, I make that decision that it's not and if we're apart on that agreement, the consumer is involved. This is your car, what do you want to do? I'm telling you as the expert, this is how we need to repair your car. They're suggesting that it be repaired this way with the use of these parts, what do you want to do and the consumer has a choice at that time. Do I want my car repaired that way? Also, the shop does to say I can't repair your car, I can't feasibly repair your car with the way that this is written without you paying additional monies to have that vehicle repaired properly and at that point, it's an argument with them and their insurance company. Sometimes they do come back and they concede in our shop for the parts to be used on the car and the procedure. Sometimes this is about procedures, we don't think that you need to do that procedure. Well, that's your opinion, but the OEM is telling me I do need to do it. Me, as a professional, standing behind the liability of that repair, we have to do the repair. Most of the time, we hash this out, but it seems more and more the consumer is being put in harm's way and being billed and charged for additional monies that should be covered in their
policy already to repair their car properly and safely.

REP. VAIL (52ND): Well you know when the consumers get hurt the most? When the legislature pits one industry over another and drives the prices of things up for everybody.

TONY FERRAIOLLO: Yep, I agree.

REP. VAIL (52ND): All right. Thank you.

SENATOR LESSER (9TH): I don't know if that was a warning, Representative Vail [laughter]. No one is safe while the legislature is in session. Any other questions or comments from members of the Committee? If not, thank you for testimony Mr. Ferraiolo. Michael Arcangelo followed by Robert Nassler.

TONY FERRAIOLLO: Thank you.

MICHAEL ARCANGELO: Good evening Chairman Scanlon and members of the Committee. I'll try and keep it brief. I think we've already established the equity of recycled OEM parts versus new OEM parts and they're an equal replacement so I don't want to beat that dead horse. I'm a third generation auto recycler. We operate four yards in the state and employ nearly 200 people so we obviously do have a lot of skin in the game here and do care greatly about this bill. We are opposed to it.

But I will address you guys as a consumer here in Connecticut as opposed to the recycler that we've already established. My question is, is there such a large problem with the way that the vehicles are being repaired in the state currently, that we need an additional piece of legislation to address it, or have the repairs been done sufficiently for years
under the current model? Taking that one case out of Texas would be just creating legislation where it's not necessary. I am a little bit familiar with that case, I did read up on it a bit prior to coming here. That shop did acknowledge that they made the decision to deviate from that procedure. They were never instructed by the insurance company. The deposition is very clear that they are instructed to use that procedure, so that was negligence on their part. So to try to create laws based on that case is just not necessary. You know the Auto Body Association was discussing the need sometimes for more money to be put towards a repair. They already have a procedure in place for that. That's the supplements to a repair so if they do get into a repair and the initial estimate doesn't have enough money to do that repair, they're able to go back to the adjuster. The adjusters come out, the verify that that is correct, that they need more money and they're typically getting that additional funding.

So I think we're going after a problem that doesn't really exist here. You know I would also you know question the fact that I think these, the repairers often know best. You know they're working on these cars all day, every day. To say that they're not qualified to identify and come up with different methods and techniques would be an insult to them. They're able to safely repair these cars. I'm not sure what the rate is currently of rejected repairs is by the insurance industry, but I would gather it's got to be pretty low if you guys have never had to address it before.

Like I said, I'll keep it brief. I do oppose this bill and I hope that you guys would vote in such a way.
SENATOR LESSER (9TH): Thank you for your testimony. Are there comments or questions from members of the Committee? If not, thank you very much.

MICHAEL ARCANGELO: Thank you.

SENATOR LESSER (9TH): Next up, Robert, and I apologize if I get your name wrong [person talking off mike] -- Thank you. I appreciate that and finally, we've got, well no, we've got more. Bill Denya? Bill Denya? Okay. Rick Rice? Joe and Ashley Genovese?

JOE GENOVESE: Good evening Chairman Scanlon and members of the Committee. I am going to beat a dead horse since I have to.

SENATOR LESSER (9TH): You've been hanging out here for a while so you might as well say so.

JOE GENOVESE: Yeah I've been hanging out for a while so I might as well get out what I've got to say so, my name is Joseph Genovese. I represent A-Rite Used Auto Parts in New Britain as the company General Manager. We are a smaller yard where it's a family-owned mom and pop shop. I'm also the Vice President of the Connecticut Auto Recyclers. I am a third generation Auto Recycler and I also have children that I hope follow me into the industry many years from now, hopefully.

I strongly urge that that the committee oppose House Bill 7266 and I believe that it is detrimental not only to my company that I work for, but also the consumers here in the state of Connecticut. If this bill passes, it would enact a monopoly for the car manufacturers. If the insurance companies have to put only new OEM parts onto their estimates, then
there would be zero competition and I know that a few individuals came up here today and said that we want to take the parts out of the bill, but as the bill stands right now, there is parts on the bill. What would stop these companies from immediately raising the prices of their parts? Nobody would. They can jack up the prices at any given time as soon as the bill is signed as only using new OEM parts. Then, the insurance company is going to have to raise their rates and everybody else is going to have to suffer to pay for these vehicles and what happens is, when this vehicle goes past the threshold of total, these vehicles are going to have to go somewhere. They're not just going to sit in a salvage pool and sit around. They have to go to a salvage facility. So if we're killing the salvage facilities, where are these cars going to go? Because that is essentially what this bill is going to do. It is going to kill the salvage facilities in the state, which there are over 100 facilities.

So why do the OEM manufacturer say that used OEM parts do not fit their specifications? If your vehicle goes to be repaired at a body shop, do they change all of the used parts because the vehicle was in a collision? So if the car was hit on the left side of the vehicle, are they going to change the right side doors because the car was in a collision? So how come my doors that I'm selling off my salvaged vehicles are any different than the parts they sell off of their vehicles. I mean they're new parts. There is no difference. They are OEM parts, new, used or re-manufactured. They're still OEM parts made by the OEM manufacturers.

I would like to finish off by saying they wanted to bring up compliance and specifications, and I know
the buzzer just went off but I'd like to finish, procedures. I have the honor of living with someone who is procedures for the bacon industry, my wonderful wife and she has taught me over the years that procedures can be changed every single day. So what happens is now they want to wipe out the fact that -- they want to take the parts end of it off the procedures. Well guess what? Next Monday, they can change it to say we only want to use OEM new parts and now that there is a law, okay, the body shop has to follow that law. Procedures can change.

Other than that, I strongly the Committee to oppose House Bill 7266 and I also strongly urge the Committee to oppose the amended, and I haven’t read it yet, but to oppose the bill as well because it still leaves open that they change the procedure to make it for only new OEM parts. Any question?

SENATOR LESSER (9TH): Thank you very much for your time and the bacon industry sounds delicious so maybe I'll forward to the hearing on that too [laughter]. Are there questions from members of the Committee? If not, thank you for your patience and for being here today. The last person we have listed to testify is Chris DiMazio, is that right? DiMarzio, I'm sorry. Afterwards, we do have an opportunity for people who wish to testify who are not signed up, but wish to testify to do so, oh that's not true, we've got other people afterwards. I keep on promising.

CHRIS DIMARZIO: First of all, I want to thank you the Committee for hearing me. I did submit a written testimony. I don't know if you’ve had a
chance to read it. I'm not going to read it because a lot of it had to do with the parts end of it and I think we've covered that extensively. The only thing we didn’t do and if you’ve read my testimony, there's an environmental impact that is very important in the auto salvage industry and WPI did a great study on it and it showed that the carbon reduction for the millions of parts that are reused off these automobiles each year that stop the manufacturing of new parts when these things can be used, they are coming to the conclusion that we may be a carbon negative or carbon neutral industry and that's a great benefit to the country, you know when we're looking at greenhouse gases and all that stuff.

So what I'd like to do -- and the link is on there, I urge you to view it, it's a wonderful study they did. I guess I'd like to just address some of the points that were brought up and bring some perspective to it. Specifically, my background is mostly in the auto salvage. I manage one of the leaders in the industry here in New England. I also had a body shop for years. I don't know, if there's any body shop people in this, you know I know there are body shop representatives, I don't know how many are, but most people who repair cars know that this Texas incident should've never happened. We've got a situation where somebody drilled off a roof that was damaged and took out, had to detach 100 welds and then knowingly glued it back on, when they knew it was welded from the manufacturer. This is, you know I hate to use the term never let a tragedy go to waste, but to me, in this instance, it seems like that's what we're doing. We're sensationalizing something that never should’ve happened, that
should’ve been just taken care of as a court case, and we're trying to legislate to take care of that.

Having said that, my experience in the body shop industry tells me that I am also sympathetic to the body shops because they are fighting between you know opposing opinions and we're all caught in the middle, us as well, the parts suppliers and the body shop people. My fear is, and I'm a little tepid, if you're going to ask me how do I feel if we just take out the parts aspect of this. While that satisfies a big concern I would have, I'm still tepid about it because you’ve got two sides that are both trying to be profitable. The manufacturers are not non-profit benevolent companies that always have taken the public's best interest at heart. We've got many cases where they’ve been very slow to take care of known problems that cause fatalities and ended up in recalls.

So my fear is, and I know the gentleman who represents the Body Shop Association talked about steering, there's a law for steering, there's many things that the manufacturers can do after the fact to benefit themselves through procedures, whether it be creating a thing where only certified manufacturer trained technicians can do this, he's absolutely right. They can't steer anybody to them, but if, they'll have the choice to go to any one of those procedural places that are accepted. They still won't be able to go to a local guy if he doesn’t have these accreditations. You're right, you can't make him go to that specific dealership that's now an accredited shop, but you know you'll be able to choose from any of those accredited shops.
I think it's a slippery slope when you give an entity, a for-profit corporation the reigns and you know, look at the evidence you were given today, this should have never been totaled. This is what we might be looking at. They can make the procedure so onerous that maybe they get totaled. They total more cars, take them out of the life stream and they sell more new cars. I just think it's a very dangerous slope. Maybe a little more thought should be given to some sort of speedy arbitration. I know ICAR if you're no familiar with it is a national certification organization that spends all its time talking about training and updating and welding, how cars should be fixed. You know perhaps they could be an arbitrator where they don’t have a financial interest on either side, insurance company side or the other side. That's about all I have to say.

SENATOR LESHER (9TH): It sounds like we could do something based on the foreclosure mediation program. Are there any questions or comments from members of the Committee? The hour is getting late, the Committee's getting punchy. Any comments or questions? If not, thank you for your testimony. I really appreciate it. Tom Tucker has signed up to testify.

TOM TUCKER: Good evening. In the interest of time I'm only going to make two very quick points and be done in one minute, the hour is late. We've been talking about parts and there's been an amendment to exclude parts --

SENATOR LESHER (9TH): I'm sorry, can you please identify yourself for the record? I was --

TOM TUCKER: Sure, I'm sorry. My name is Thomas Tucker and I am the Director of State Government
Affairs for the Auto Care Association. There has been discussion on excluding parts in an amendment and by a previous testimony, we have been told that the collision repair manual is the bible for repairs and I would agree with that. But I would ask you very simply to think about this, that when someone is, when you take your car in to be repaired and the technician opens the bible, the collision repair manual and it says, use OEM parts. It doesn’t matter that you’ve enacted a law that excludes it. If they're looking at their bible, the collision repair manual, and it says use OEM parts, what do you think they're going to use? OEM parts. So I think that's a problem, number one.

Number two, we heard earlier about the gentleman who showed you pictures of a collision that there was no repair. I am concerned and I think you all should be concerned about enacting any ordinance that will require following any procedure when there is not a procedure for every repair. I think we're going down a slope that's dangerous and it gives one industry the propensity to change procedures at any given time. And with that, I am completing my testimony and would be more than happy to answer any questions.

SENATOR LESSER (9TH): Thank you, Mr. Tucker. Are there questions or comments from members of the Committee? Mr. Tucker, thank you for your testimony.

TOM TUCKER: Thank you, kindly.

SENATOR LESSER (9TH): I think this actually finally summarizes, ends the people listed to speak on Senate Bill 978 [sic]. Thank everybody for their
patience here today. Oh, no, I'm sorry, 7266, but now we're going onto Senate Bill 978. Ed Leavy.

ED LEAVY: Do you want me start?

SENATOR LESSER (9TH): You can take your time, Ed.

ED LEAVY: Okay. Good afternoon. My name is Ed Leavy and I am the President of the State Vocational Federation of Teachers.

SENATOR LESSER (9TH): Mr. Leavy, please hold on for one second. If folks could please, I know there are a lot of folks who are just leaving right now, but we do have some other bills up for consideration. Thank you.

ED LEAVY: This is not the first room I've cleared. [laughs] So I'm Ed Leavy. I'm the President of the State Vocational Federation of Teachers where I represent the 1200 educators in the Connecticut Technical Education and Career System. Of those members, about 28 percent of them are in the Teacher Retirement. We are unique in the state service in that we offer both, not quite unique, but we offer both teacher retirement and state retirement because we have so many teachers who have earned Social Security credits, but some people come in and take the teacher retirement because they’ve come from other LEA's or less commonly, they think they might move to an LEA.

In 2009, the SEBAC agreement created the 3 percent healthcare fund for retiree healthcare and it was effective for people who started as of 7/1/2009 for ten years, and then for people who started within five years of that, back to 2004, they began in 7/1/2010. In 2011 SEBAC agreement extended that to
all people, all State employees, and in 2017 agreement they moved it for new employees to fifteen years. So for ten years currently, all of our employees are paying 3 percent for their retiree healthcare. When that is done, when that ten years is up or fifteen years down the road, we are vested into the retiree healthcare system and at that point, the people in TRB, even though they're vested in the Retiree Healthcare System, will continue to pay 1.25 percent to the Teacher Retiree Healthcare System which they will never use because they're already vested in the state. That's 1.25 percent so if a person is making $80,000 dollars a year, which is the top end of our scale, but after 10 or 15 years you may be there, will pay $1000 dollars a year into the Teacher Retirement Healthcare System and again, they will never use because they're in the State Retirement Healthcare System.

I do understand that the Teacher Retirement Healthcare System is dealing with some solvency issues, but A, you cannot balance your budget by charging people who don’t use it, and secondly, it's a drop in the bucket. It would be at most $400,000 dollars a year out of a $150-million-dollar system. So we strongly believe that when our teachers have fully vested in the Retirement Healthcare System for the state, that they should have the 1.25 percent discontinued. We could not do that through SEBAC, was part of the negotiations in 2011 and in 2017 because obviously, SEBAC has no standing here, but we can do it legislatively which is the purpose of bill 978 and I strongly urge you to pass it. Thank you.

SENATOR LESSER (9TH):  Thank you for your testimony. Representative?
REP. VAIL (52ND): Thank you, Mr. Chairman. Good evening. Just for clarification, so this is in regards specifically to teachers that teach at the technical high schools, technical and vocational high schools, that would be considered date employees?

ED LEAVY: The bill as written is for employees in that system, so that would not only cover the teachers, it would cover the consultants who are in P3A and it would cover the administrators, who, there's only 50 of them, but there are, a higher percentage of them are in TRB cause they don't come out of trades.

REP. VAIL (52ND): So, normally, so let's say at Manchester High School, the administrators, teachers, would all be in the Teachers Retirement Program?

ED LEAVY: Yes.

REP. VAIL (52ND): But since this is a state, they're considered State employees.

ED LEAVY: Yes.

REP. VAIL (52ND): And so they're paying an extra 1.25 percent to a fund that they do not have access to?

ED LEAVY: The 2009 agreement, which I was not part of, was those negotiations, that, they paid 3 percent plus the 1.25 because there was no one in the room that knew about the 1.25. That was handled in 2011 and there was a bill that got money refunded. It's during the course, during the ten years they pay, or 15 now, 1.75 goes to the State and 1.25 goes to TRB so it's a total of 3, 3 for
everybody. When you're done with the 3, then they continue to pay. There's no mechanism currently to keep them from having to pay the 1.25 percent towards a healthcare system that they're not in.

REP. VAIL (52ND): When does that end? After 15 years?

ED LEAVY: Well it's, it's ten years, it was ten years up until 2017, for people who were employed after 7/1/2017, it's 15, but because it started in 2009, people will, the final payments for some of the people will be in 2019 so it will be this year. The bill as written says as of January 1, they will cease their payments.

REP. VAIL (52ND): 2020?

ED LEAVY: 2020, they'll cease their payments. That may have been when the payments actually started because 2009 there was an implementation issue with SEBAC, there's always an implementation issue with SEBAC and I think that's when they started so they'll finish the full ten years, for some of the employees and then others will finish you know the following year. And then after that, it's you know every year there will be more.

REP. VAIL (52ND): Okay.

SENATOR LESSER (9TH): Representative Vail, are you still?

REP. VAIL (52ND): Oh yeah, I said okay.

SENATOR LESSER (9TH): I wasn’t quite sure what was going on. Thank you, Representative. So just for purposes of clarification, does this bill in any way
impact collective bargaining for any other bargaining?

ED LEAVY: No because it's, well it would not impact collective bargaining. There are people who the issue affects who are not in the bill as written. Those people, a couple of them work in the community college system. More of them work in the prison system as teachers, but it's a small number. We have, the CTECS has 85 or 90 percent of all the people in TRB.

SENATOR LESSER (9TH): Should we expand the scope of the bill to include those people?

ED LEAVY: I certainly would. I am someone who believes that perfect shouldn’t be the enemy of good and obviously I'm here to represent my people, but I think it would be reasonable because otherwise they'll be back next year and asking you to extend.

SENATOR LESSER (9TH): If you have suggestions about how to do that, that might be helpful.

ED LEAVY: Sure, I'll send those to you.

SENATOR LESSER (9TH): All right, no problem. Are there questions or comments from the Committee? Do you have any opinions on auto body shops or auto recycling? [laughter] I know that's a vo-tech issue so I didn’t know.

ED LEAVY: I actually did text one of the collision teachers I know and say hey, do we use OEM parts, do we use recycled parts, and then I realized he was going to ask me a question and I would have no idea what the answer was, so I don't know what OEM stands for so that was going to be an issue.
SENATOR LESSER (9TH): I actually do know that but we'll leave that for another time. Any other questions or comments from the Committee? If not, thanks Ed.

ED LEAVY: Thank you.

SENATOR LESSER (9TH): Francesca Ford.

FRANCESCA FORD: Good evening, Senator Lesser, Representative Scanlon, and members of the committee. I am Francesca Ford. I am a teacher at Emmett O’Brien. I started in 2004 after leaving my active duty career in the military. I am here to speak in support of the raised Bill #978: AN ACT CONCERNING TEACHERS RETIREMENT SYSTEM CONTRIBUTIONS.

I am in the Teachers Retirement System. In 2009, the SEBAC agreement required me to pay 3 percent of my salary for ten years to be eligible for retiree healthcare. Though the cost you know is significant, it was over $20,000 dollars that I had to pay over the ten years, half of which I did not get a raise during that time period, but I understood the value of those benefits, it's one of the reasons I teach in the system that I teach in, and like over 85 percent of my colleagues, I voted to ratify the agreement.

I began making payments in July of 2010, and in July of next year my SEBAC payments for retiree healthcare will conclude. This is the agreement I voted to support. Now, during a union council meeting a few years ago, I discovered my payments for retiree healthcare will not in fact end because I am a member of the Teachers
Retirement. I will still be responsible to pay 1.25 percent of my salary toward TRB Retiree Healthcare. The cost is not significant yearly. In my first year after paying to be vested in State Retiree Healthcare, you know I paid about $1,100 dollars, but that is money that I should be spending on my children. I have a minimum of 15 years before I can retire, and so that will cost me about $15,000 dollars for something I will never use.

I understand that the SEBAC agreement could not address this inequity and Teachers Retirement must be amended through legislation. Raised Bill #978 addresses the inequity in the current policy, in which everyone in my school who is vested will have the same benefit, but about one-quarter of our staff will keep, like me, paying after everybody else finishes. The percentage of State workers in TRB is quite low, but they almost all work in the Connecticut Technical Education and Career System, which plays an important role in Connecticut's educational and economic life. And I just want to thank you for hearing me today.

SENATOR LESSER (9TH): Thank you for your testimony. That sounds like a screw up on our part so thank you for being here and for sharing your concerns. Are there questions or comments from members of the Committee? Representative Vail you must have something [laughter]. Okay, well thank you. Thank you for your patience.

Thank you.

SENATOR LESSER (9TH): And with that, I think we have reached the end of all the people who are signed up to testify on anything in front of the
Insurance and Real Estate Committee today. If there are no other members of the public who wish to testify right now, I call this public hearing adjourned and we will be back tomorrow in concert with the Planning and Development Committee for more.