INSURANCE AND REAL ESTATE COMMITTEE PUBLIC HEARING
THURSDAY, MARCH 5, 2020
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
TESTIMONY IN OPPOSITION TO SB 346

My name is Joe Brennan, president and CEO of the Connecticut Business & Industry Association. CBIA is Connecticut's largest business organization, with thousands of member companies, small and large, representing a diverse range of industries from across the state. Ninety-five percent of our member companies are small businesses, with less than 100 employees.

I am here today on behalf of employers, who strongly oppose SB 346. A state-run health insurance plan will destabilize the health insurance market, require state subsidies to finance the program, and negatively impact Connecticut's economy.

SB 346 allows small employers to purchase health coverage for their employees through the expansion of the state-run State Employee Partnership Plan, while utilizing the Office of Health Strategy and creating an advisory committee to implement the ConnectHealth Program and administer the ConnectHealth Trust Account.

With any new health insurance market comes the increased likelihood of destabilization because of potential changes in the risk pool. The influx of new members will see premiums altered to reflect the changes in the risk pool. If a disproportionate share of individuals with greater healthcare needs choose to enroll in the ConnectHealth Program, premiums could go up significantly and raise state costs by impacting state employee premiums. Conversely, if lower risk individuals opt to participate in the ConnectHealth Program, the remaining risk pool in the market will be more unstable and put pressure on the exchange plans offered through Access Health CT. Currently, municipalities can buy into the state employee program at a cost of over $10,000 per person. This cost is not reflective of any potential premium changes due to market shifts. These current premium costs must drop significantly to be considered an affordable option for small businesses.

In 2018, the State Employee Partnership plans ran a deficit of at least $10 million, with paid claims exceeding collected premiums. This left the partnership operating at an MLR, or medical loss ratio, of about 105%. If a private insurer offered plans with an MLR of 105%, the Connecticut Insurance Department would discontinue those plans. Plans administered by the Comptroller's Office are also regulated by his office, not the insurance department. Self-regulation equates to non-regulation. Until these plans are regulated by the insurance department, the Comptroller can continue suppressing premiums with those plans continuing to operate at a loss. It is unclear how small businesses will be affected if they enroll in the plans with significant solvency issues.

SB 346 minimizes the state's fiscal contribution to the ConnectHealth Program by applying for a 1332 waiver, but recent guidance suggests such waivers are not applicable to public programs. Section 1332 of the Affordable Care Act permits a state to apply for a State Innovation Waiver, also known as a State Relief and Empowerment Waiver, to allow the implementation of innovative ways to provide access to quality healthcare that is at least as comprehensive and affordable as would be provided absent the waiver, provides coverage to a comparable number of residents as provided absent a waiver, and does not increase the federal deficit. Federal guidance released last last year by the Treasury Department and Health and Human Services provided that such waivers "should foster health coverage through competitive private coverage, including AHPs and STLDI plans, over public programs."[1] This means waivers will not be made available to programs including options for public insurance coverage or expanded buy-in options for insurance. As such, there is no federal funding available to assist in financing the ConnectHealth program.

CBIA has considerable concerns about the funding mechanism of the ConnectHealth Program through state subsidies as outlined in the bill. The bill provides state-financed cost-sharing subsidies to enrollees in the ConnectHealth Plan who do not qualify for cost-sharing subsidies under the Affordable Care Act. The bill also states that an affordability scale will be determined for premiums rates based on the enrollee's household income. The language is silent as to how such funding is attained, but authority is given to the Comptroller, in consultation with the advisory committee and Office of Health Strategy, to make that determination. A public health program will already have significant cost implications for the state, but the ConnectHealth Program's additional affordability scale mechanism and cost-sharing subsidies create an even greater burden on the state's uncertain long-term financial stability. Additionally, the bill does not provide whether participants or taxpayers will be responsible for funding the ConnectHealth Program.

Instituting a public health program will undermine one of Connecticut's largest economic drivers. Hartford, known as the "Insurance Capital of the World", houses nearly 60,000 insurance industry jobs. SB 346 authorizes the Comptroller to contract with third-party professionals as he deems necessary, allowing the insurance industry to have a marginal role in the program. While the proposed legislation only offers small employees the

[1] https://www.federalregister.gov/documents/2018/10/24/2018-23182/state-relief-and-empowerment-waivers

buy-in option on a voluntary basis, leaving individuals and large group employers in the private market, this bill has broader implications on the insurance industry. A state-run program is another step closer to the single-payer model. Under the single-payer model, private competition is stifled and insurance companies will only operate as third-party professionals. The movement from a buy-in program to a single-payer system is something our state can not fiscally sustain from both an economic and insurance market standpoint.

For these reasons, employers strongly oppose a state-run healthcare plan.