America's Health Insurance Plans
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March 5, 2020

Chairman Matt Lesser
Chairman Sean Scanlon
Insurance and Real Estate Committee
Legislative Office Building, Room 2800
Hartford, CT 06106

Re: AHIP's Comments on SB 346, An Act Concerning Public Options for Health Care in Connecticut

Chairman Lesser, Chairman Scanlon, and Members of the Insurance and Real Estate Committee:

AHIP is the national association whose members provide insurance coverage for health care and related services. Through these offerings, we improve and protect the health and financial security of consumers, families, businesses, communities and the nation. We are committed to market-based solutions and public-private partnerships that improve affordability, value, access and well-being for consumers.

Every American should be able to get affordable, comprehensive coverage regardless of their income, health status, or pre-existing conditions. We agree that hardworking Americans who buy their coverage on the individual market increasingly find that their premiums are out of reach if they don't qualify for premium subsidies. Our members stand ready to work with the legislature to make coverage more affordable for all in Connecticut.

However, health care 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. We believe that a public health option would cause several significant, unintended consequences including increased costs of coverage for those enrolled in other plans and the destabilization of the health insurance marketplace.

A public option and buy-in is not the solution for rising health care costs for these central reasons:

- Rate setting is not the right approach to rein in costs;
- A standardized public option in the individual market only shifts costs elsewhere; and
- It will destabilize:
    - The non-public option individual health insurance market.
    - The group health insurance market; and
    - The rural hospitals and other health care providers.

Rate setting will not lower or even stabilize health care costs.

Creating a new set of health plans that look identical to other plans but with capped reimbursement rates moves us in the wrong direction of rewarding value over volume. We must focus on the underlying cost drivers and market dynamics driving premium increases – prescription drug pricing, which represents the largest segment of health care spending, making up more than 23 percent of commercial premiums, predatory hospital contracting, third party payments and other tactics that game the system to drive up costs, and overly restrictive market rules inhibiting innovation and value-based insurance designs.

Standardizing benefit designs removes insurer flexibility to innovate and shifts costs elsewhere.

A public option proposal generally attempts to set a level playing field for plans sold on the individual market. By standardizing benefit designs, plans are left to compete based on their ability to put together high-quality provider networks at the most cost-effective rates, which ultimately determine their premiums.

If providers decide to contract with these "public option" plans, they may cover their losses by shifting costs to other commercial plans, including the other plans sold in the individual market. This gives the "public option" plans a huge advantage at the one thing that individual market plans are competing on – provider contracting rates which render the lowest premiums – and abandons the legislature's desire to provide standardization and fairness.

Health plans are committed to working with the legislature to implement a structure for plans that benefits consumers and does not destabilize the market. The goal should continue to be offering individuals and families choice in the market so they can select a product that meets their needs.

A public health option will destabilize the insurance and provider markets, risking health care access.

Individual Market

Health insurance providers offering non-public option plans will not be able to compete with a "public option", which can reimburse providers at much lower rates than commercial individual market plans. There needs to be a level playing field for all health insurance plans who want to offer products to individuals and families purchasing coverage.

Public health option could significantly hinder competition by either of the following scenarios:

1. Allowing the state to select certain bidders for offering "public option" plans instead of allowing all health insurance providers to offer these types of plans could lead to less

competition in the individual market. If private health insurance providers who have managed to develop a network of providers at these government set rates are not chosen to offer the new "public option" plans in a specific region, they may be reluctant to offer traditional individual market plans that are unable to compete on price. Fewer carriers will participate in the individual market than when they are all playing on a level playing field.

2. Because there is no mandate for providers to participate in the networks of these "public option" health plans, it will be difficult for carriers to contract with providers at below-commercial market reimbursement rates. If carriers are unable to create an adequate network of providers willing to accept the mandated reimbursement rates, they will not be able to offer these plans and "public option" plans will cease to be offered.

Group Market

By setting reimbursement rates for doctors and facilities at below-commercial market rates, providers may require higher reimbursement rates in their contracts for other products to cover their losses from participating in the "public option" plans. Higher reimbursement rates will put upward premium pressure on small and large employer groups, self-insured plans, and Taft-Hartley trust plans. Our members are also concerned about their ability to continue to assemble networks in group health plans that offer consumers a choice of providers and access to high-quality facilities at reasonable rates.

These "public option" plans may also lead to a loss of enrollment in the small group market. Small employers may decide that their employees could pay less for "public option" or buy-in plans and stop offering small group coverage to their employees. Combined with the Trump administration's expansion of health reimbursement accounts, the individual market "public option" plans would look like an increasingly attractive option for small employers and their employees.

We are concerned that paying providers below-commercial market rates in a market that could potentially grow in size is unsustainable and, given underlying access issues, this sets up these "public option" plans to fail in the future.

Providers

Another potential area for instability is the potential harm that Medicare-based reimbursement rates will cause to smaller and rural hospitals, and physicians serving those communities. These providers are unlikely to be able to sustain large new blocks of business at below-commercial market levels of reimbursement. Federal price-cap proposals have repeatedly been dismissed because they pose too many risks to the health care delivery system. This proposal could create major patient access problems in portions of the state and have devastating effects on patients' access to the care that they need.

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 everyone in Connecticut.

AHIP and its member plans have proposed twelve solutions to lower premiums for hardworking Americans who buy their own coverage. Our proposals are based around the three, overarching tested and proven methods for driving down the costs of premiums for consumers: reducing the cost of health care, offering premium savings to consumers, and increasing participation to balance risk. We welcome the opportunity to work with you and other stakeholders on addressing these issues that would make a real difference in lowering costs.

The proposals in which Connecticut policymakers can play a role include:

- **Reducing Surprise Billing** by protecting patients from surprise bills and preventing unnecessary premium increases related to out-of-network care.
- **Curbing Inappropriate Third-Party Premium Payments** by limiting the list of third-party entities from which health insurance providers must accept premium and cost-sharing payments. States may also prohibit the use of copay coupons for brand-name drugs if there is a less expensive, equally effective alternative.
- **Increasing Drug Competition** by requiring manufacturers to publish true R&D costs and explain price setting and price increases. States may also inform patients and physicians on effectiveness and value and reduce regulatory barriers to value-based pricing.
- **Expanding the Use of Telehealth** by enhancing flexibility and avoiding state mandates on reimbursement and/or payment parity, site-specific use, prior visit requirements, or specific technology use. States may also designate telehealth as a means of satisfying network adequacy requirements and support the establishment of multi-state licensure compacts.
- **Creating Reinsurance Programs** that are not solely funded by carrier assessments, but instead shared by a variety of stakeholders that benefit from reinsurance.
- **Creating State Premium Discount Programs** for individuals and families earning more than 400 percent of the federal poverty level.
- **Providing Savings to Consumers who Engage in Wellness Programs** by preserving flexibility for plans to promote safe, effective, high-value care.
- **Investing in Marketing and Outreach** to support state-based exchange investments, so long as these approaches do not increase premiums.

Although AHIP shares your goals to make health care more affordable for Connecticut residents, we do not believe a public option is the solution to address the underlying costs of health care in the state. Our members stand ready and eager to work with policymakers and other stakeholders to make coverage more affordable, but we must do so in ways that do not destabilize an already fragile individual market. Thank you very much for your consideration of our comments.