Connecticut Health Policy Project

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TESTIMONY to the Insurance and Real Estate Committee
February 9, 2021

Re: SB 842, AN ACT CONCERNING HEALTH INSURANCE AND HEALTH CARE IN CONNECTICUT
Ellen Andrews, PhD, Executive Director

Thank you for the opportunity to share our thoughts on this important bill. For twenty-one years, the CT Health Policy Project has worked to expand access to high quality, affordable healthcare for every state resident. We are a nonpartisan, nonprofit organization that advocates through detailed analysis of policy options to improve the health of our state.

Restore coverage for HUSKY working parents

Restoring coverage for HUSKY parents is long overdue. Five years ago, 18,903 Connecticut working parents making over 155% of the federal poverty level (now $34,038 for a family of three) lost coverage due to budget cuts. Thankfully 41% of them were able to retain Medicaid because they were eligible through other categories, but over 11,000 were not.[1]

At the time, the administration framed the cut as a "transition" to coverage through AccessHealthCT. But, tracking by DSS required by legislators found only a small fraction of the parents cut off were able to afford to buy coverage there, and many of those couldn't continue the payments after a few months due to cost. AccessHealthCT coverage is simply not affordable for working families with incomes below the original eligibility level of 201% of the federal poverty level. The "transition" never worked.

SB 842 reverses that mistake and restores coverage to working families back to the previous level.

The impact of HUSKY parent cuts on families is profound. The CT Health Policy Project followed parents from eight families who lost coverage in an earlier round of budget cuts. Among them was Elizabeth, a substitute teacher in New Haven with high blood

[1] HUSKY A parent transition, DSS report to MAPOC, October 2017

pressure, and her son Sean. When she lost coverage, Elizabeth was forced to choose between paying for her medications or paying rent. She chose to pay the rent and because her heart disease was no longer controlled, she had a heart attack. After she left the hospital, she had HUSKY coverage for six months that covered her even longer list of medications. But when she lost HUSKY again after the six months ended, she had another, more serious heart attack. Not only does this inconsistent coverage harm Elizabeth's health, but it also wastes taxpayer dollars. Investing $260/month in her medications could have avoided paying $80,000 for hospitalizations that year. After every hospitalization, Elizabeth was out of work and Sean had to stay with relatives until she was well again. Connecticut taxpayers paid for those hospital stays over and over but not the care to keep her well.

Restoring HUSKY coverage for working parents makes sense for families, communities, and the state budget. Keeping parents well, working, supporting their families, and participating in the economy is a good investment. Compared to other coverage, HUSKY is a bargain; it offers comprehensive coverage at per person costs well below commercial insurance or Medicare rates, saving billions for taxpayers. In addition, the federal government reimburses half the state's costs for HUSKY parents. There is really no better return on investment for state taxpayers.

Increase subsidies on the AccessHealthCT exchange and coverage for immigrants

Unfortunately, too many Connecticut residents in need don't qualify for HUSKY and many who do qualify can't afford it. The AccessHealthCT exchange is a vital lifeline to coverage for thousands of Connecticut residents who would otherwise be uninsured, but it doesn't work for everyone. The most common reason cited by people eligible for exchange subsidies who don't take it, is that it is not affordable. Costs can reach eight percent of household income, which is not realistic for families living paycheck-to-paycheck. Undocumented immigrants are not eligible for either HUSKY or exchange coverage.

Many uninsured workers in Connecticut labor in essential jobs preparing our food, caring for children and the elderly. The COVID pandemic has highlighted how much our health is connected to our neighbors' health. My sister and her family live in Toronto. During this pandemic and SARS before that, she didn't worry that the people caring for her children or the last person to touch an elevator button couldn't see a doctor when they were unwell. These are critical investments in Connecticut's health.

SB 842 increases subsidies for some people in the exchange and creates an option to purchase coverage for immigrants and others who don't qualify for the exchange.

Public option

Commercial healthcare premiums in Connecticut are the sixth highest in the nation and they continue to grow faster than inflation. In 2010, the CT Health Policy Project signed up with the Comptroller's Office as a nonprofit to cover our staff through MEHIP, Connecticut's first iteration of a public option. It seemed to make sense and we wanted to do the right thing. Unfortunately, it became too expensive and we moved to a private option the next year. We are very hopeful that this new plan will succeed in providing affordable options to struggling small businesses and nonprofits.

But for sustainably affordable health insurance, we need to control the forces that are driving up premiums. Every business owner knows that the price of their product is dependent on their input costs. It is critical to address skyrocketing drug prices and consolidation among providers that creates huge health systems too big to negotiate. There is very good evidence that market consolidation lowers competition, reduces consumer choice, and drives up prices.

Connecticut residents spend more per person for prescription drugs than residents of any other state. Drug costs are growing faster in Connecticut than other healthcare sectors and faster than the rest of the country. Other states have taken the lead in controlling drug costs.

Massachusetts, Washington and Hawaii have proposed taxing excessive price increases that are not supported by either new evidence of clinical effectiveness or increased manufacturing costs. Other states are also considering the option. The proposal is very simple, requires no state spending on consultants or more staff, and is crafted to avoid the legal challenges that have stopped other state proposals to lower drug costs. More information on this option is available in the attached brief and online.

Mergers are the other major driver of healthcare costs in Connecticut. As health systems grow large, competition suffers, and the systems can demand higher prices. Both horizontal mergers between large hospital systems and vertical mergers that combine hospitals, practices, and other provider groups, increase prices for a diverse array of healthcare services. Studies have found little or no benefits from consolidation in controlling costs or improving the quality of care.

Last year, California Attorney General Becerra, now federal HHS Secretary, reached a historic anti-trust settlement with Sutter Health, a large health system. The agreement limits anti-competitive practices such as all-or-none contracting, limits out-of-network charges to patients, requires full public pricing transparency, and ceases bundling services and products to offer stand-alone pricing.

To address consolidation's impact on prices, business leaders have called for a moratorium on mergers and convening a task force to consider options, and potential unintended consequences, to create a plan. Some options include prohibiting all-or-none contract provisions, limiting noncompete clauses and other restrictive covenants, and regulating large health systems and their financial risk arrangements. More information on this option is available in the attached brief and online.

Concerns

We share others' concerns about the state's liability for a public option if premiums do not keep up with healthcare costs. Connecticut's Charter Oak Plan, another public option attempt, ended in a death spiral for this reason. We understand that the Comptroller's current Partnership Plan public option for municipalities has cost the state millions. In uncertain times, it would be counterproductive if that liability caused cuts in efficient, proven coverage programs like HUSKY.

We also share concerns that prompted legislation before this committee to improve the transparency of the state employee plan, the foundation of the proposed public option. We know very little about the costs or performance of the plan, which is funded by state taxpayers. Meetings of the governing Cost Containment Committee are held in executive session, out of public view. The public option would significantly expand the scope and lives covered by the program. Expanded transparency has made our Medicaid program better for both members and taxpayers. Full transparency is key to ensuring the public option is successful.

Raising taxes on health insurance premiums in an effort to make coverage more affordable is counter productive. Higher taxes will push up already unaffordable premiums and individuals who don't qualify for subsidies will pay the price. Some struggling to hang on now will not be able to afford the increases and will have to drop coverage. The proposals in SB 842 need a broad-based source of funding to avoid unintended increases in uninsured Connecticut residents.

Consumer advocates have grave concerns about delegating authority to the Office of Health Strategy to apply for another State Innovation Model waiver. The last one, under that office, failed, wasting four years and $45 million in federal funds, undermining trust with a closed process, and accomplishing nothing.

To make health premiums affordable, CT must address input costs

December 22, 2020

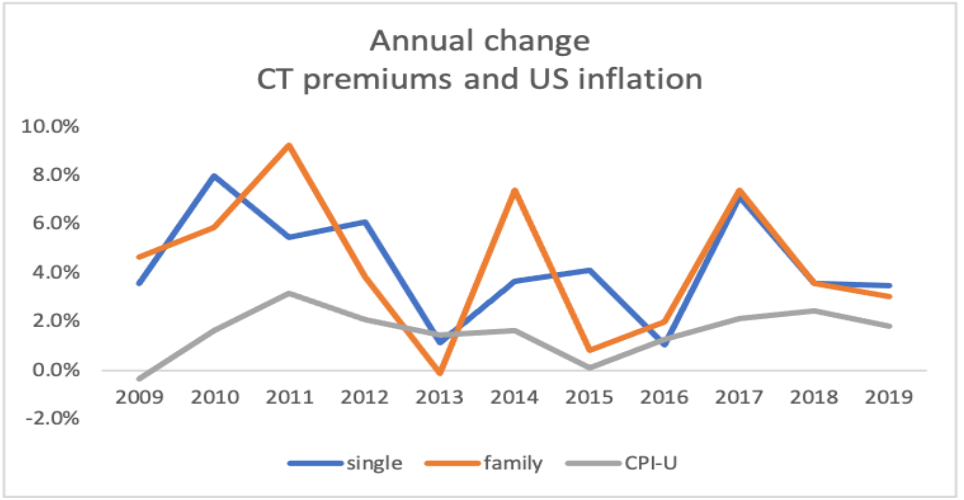
Connecticut private health insurance premiums are high and rising far faster than inflation. To control costs sustainably, policymakers must address excessive prescription drug cost increases and large health system consolidation by restoring competition. Policy options are available from other states to accomplish both.

Health benefits in Connecticut are costly and rising faster than inflation. Last year, total employer-sponsored health insurance premiums in Connecticut were the sixth highest among states for both single and family coverage. Connecticut workers paid 7.8% more for single coverage and 4.3% more for family plans than other Americans.

Although Connecticut premiums are rising more slowly than other states, they are growing far faster than the rate of general inflation. Between 2008 and 2019, both Connecticut single and family plan premiums' average annual increase was 4.3% Over those same years, US consumer prices averaged only 1.6% increases annually. Similar cost increases into the future cannot be sustained by Connecticut's households or employers.

To lower the cost of premiums, Connecticut must look under the hood and address health insurance's input costs. Addressing the underlying drivers of rising health costs will make healthcare premiums more affordable in a sustainable way.

Prices are driving premium increases, both nationally and in Connecticut. Specifically, increasing prices for prescription drugs and for inpatient and outpatient services provided by large and growing healthcare systems in our state are the main contributors to increased healthcare prices.



Sources: MEPS, BLS

Other states are not waiting for federal help and are addressing these cost drivers. Connecticut has several policy options available to address rising prescription drug prices and the cost impact of health system consolidation.

Prescription drug costs

Connecticut residents spend more per person for prescription drugs than residents of any other state. Drug costs are growing faster in Connecticut than other healthcare sectors and faster than the rest of the country. Other states have taken the lead in controlling drug costs.

A promising option that avoids lawsuits and other challenges, is imposing penalties on companies that increase prices on existing drugs without justification. There has been great public outcry about drug company profit-taking on existing drugs without reason including insulin, epi-pens, and Martin Shkreli and Deraprim. Increases on prices of existing drugs far above medical inflation rates without research supporting enhanced effectiveness or economic benefit, new uses, or large increases in production costs, is a major driver of rising drug costs for states and insurers.

Massachusetts is proposing to impose penalties on drug companies with excessive price increases in the state. Under H.41334 the state will investigate drugs with price increases that exceed medical inflation by more than 2% to compare the new price with the value of the drug, using comparative effectiveness analysis. If the price is excessive, the company will be assessed a tax equal to 80% of the excessive amount of the price for each unit sold in Massachusetts.

It is important to note that Massachusetts has a sophisticated, and well-resourced, commission capable of performing the analysis and a mature, functioning All Payer Claims Database for the analysis. Connecticut has neither of these resources.

Other states are pursuing the same goal using analysis of price increase justification by an independent, privately funded nonprofit, the Institute for Clinical and Economic Review (ICER). ICER is the national leader in evidence-based evaluation of the value of medical treatments, including drugs. All ICER reports, and supporting research, are public. ICER's many analyses are used by over 75% of private health plans and Pharmacy Benefit Managers (PBMs), the US Department of Veteran's Affairs, Medicare plans, and state Medicaid programs. ICER engages with over 300 patient groups to ensure real-world evidence is included in all their value assessments.

In 2018 and 2019, unjustified price increases for seven already existing drugs cost the US health system $4.8 billion.

In response to requests from state policymakers and other stakeholders, ICER publishes annual analyses of unsupported price increases for drugs with high spending levels not justified by new evidence of effectiveness, economic benefit, or increased production costs. The first report, published last year, found

that price increases for seven of nine drugs with substantial price increases in 2018 and 2019, were not supported by the evidence. The seven drugs cost the US health system an additional $4.8 billion over the two years. Humira led the list with unsupported price increases costing an extra $1.9 billion. ICER's next report is due to be released in January 2021.

The National Academy for State Health Policy (NASHP) has developed materials and legislative language for states to use ICER's report to lower excessive drug price increases for all payers. The language creates a tax penalty similar to Massachusetts's and directs the funds to lower consumer costs of insurance. Legal experts expect the language to withstand court challenges. In contrast to earlier proposals, the current option does not require states to devote resources to a Drug Affordability Review Board. The bill has been filed in Washington state and more states are considering it.

Health system consolidation

Mergers are the other major driver of healthcare costs in Connecticut. As health systems grow larger, competition suffers, and the systems can demand higher prices. Both horizontal mergers between large hospital systems and vertical mergers that combine hospitals, practices, and other provider groups, increase prices. Prices for a diverse array of healthcare services increase with mergers. Studies have found little or no benefits from consolidation in controlling costs or improving the quality of care.

Consolidation of practices and hospitals into large health systems reduce competition, reduce consumer choice, and raise healthcare prices. There is no evidence that consolidation improves the quality of care.

Mergers also reduce consumer options for care and increase health system levers to keep patients within their network. Health systems have financial incentives to refer patients only to corporate partners for specialty and other care, rather than the best option for the patient. Patients may have to drive farther to get care from providers outside their community, with inconvenient hours, that don't speak their language or share their culture, may not have experience or the best quality rating for treating their condition, and have to see a provider they don't trust or aren't comfortable with.

There are concerns that financial losses facing hospitals and health systems because of the COVID pandemic will accelerate mergers and increase prices to recover those losses. There are powerful incentives for consolidation in federal law, including favorable drug cost policies and tax benefits of nonprofit status. However, newer federal policies on surprise billing and price transparency may help mitigate some of those advantages.

A year ago California's Attorney General Becerra, now incoming US Secretary of Health and Human Services in the Biden administration, reached a historic anti-trust settlement with Sutter Health, a large health system. The state and several payers argued that Sutter Health used its dominant position in Northern California's market to illegally drive up prices. Under the settlement, Sutter Health will no long use all-or-none

contracts, requiring payers to include every Sutter hospital and clinic in their network, even if there are less costly alternatives in the community. The settlement also limits out-of-network charges to patients, requires full public pricing transparency, and ceases bundling services and products to offer stand-alone pricing.

Others have focused on restrictive covenants/noncompete contracts that health systems pair with large bonuses for providers to sign up. These contract provisions lock providers, and their patients, into the health system and lower competition. The bonuses are often funded through new facility fees on the practices' patients. Those agreements are governed by state law.

Senator Looney, President Pro Tempore of Connecticut's Senate, has proposed tightening standards for health systems acquiring practices as a legislative priority for 2021. Business leaders nationally have called for a moratorium on mergers, both horizontal and vertical, and creation of a task force to explore options to promote competition and control costs.

Connecticut could follow on these leads by implementing a moratorium on mergers and acquisitions until a public, bipartisan taskforce of independent experts can identify feasible, effective policy options to improve competition and consumer choice while minimizing unintended consequences.

Connecticut state policymakers can address premium input costs and make health care premiums more affordable, now and into the future.