

**Insurance and Real Estate Committee**  
**PUBLIC HEARING - February 9, 2021**  
**S.B. No. 842 AAC Concerning Health Insurance and Health Care in Connecticut**

**Testimony by Timothy Phelan,**  
**President, Connecticut Retail Merchants Association**

Co-Chairs Lesser and Wood, Ranking Members Hwang and Pavalock-D Amato and members of the Insurance Committee, my name is Timothy Phelan and I am the President of the Connecticut Retailers Association.

As you know, retailers in communities all across Connecticut support more than 470,000 jobs and contribute more than \$34 billion to the state's economy. There are roughly 42,000 retail establishments in our state, and overall, the retail industry produces approximately 14 percent of Connecticut's total GDP. And as I know you are well-aware, the past year has been particularly challenging for our businesses, as it has been for businesses and families throughout our state.

Retail businesses large and small provide good jobs for Connecticut families, and more than 98 percent of all retail companies are small businesses, employing fewer than 50 people. Our retail businesses are very involved in their communities, providing support for local organizations in many ways. As much as any other industry, retail is the lifeblood of commerce in Connecticut, indispensable to our economy and our quality of life.

I am here today to testify in opposition to S.B. No. 842, An Act Concerning Health Insurance and Health Care in Connecticut. As we have seen time and time again, what happens at the State Capitol has a direct and significant impact on my members and their employees. This would certainly be true with SB 842, which will create a new government-run insurance program for the state that would impose a new health insurance tax, raise premiums and create a new bureaucracy in State Government.

Working closely with retailers throughout Connecticut, I know first-hand how important it is for businesses - and their employees - to have a well-functioning insurance market. While nothing is perfect, Connecticut retailers have been working for several years on innovative and impactful cost-lowering programs for our members. Those efforts continue this year.

The very real danger here is that SB 842 will dramatically and negatively impact the cost and access for health insurance options. Connecticut is the "Insurance Capital of the World" and we are all rightly very proud of that. And we recognize that it makes the insurance industry much more important to our state's economy than it is for any other state. We have tens and thousands of Connecticut residents employed by insurance companies that shop in our stores and provide an important economic lift to our economy.

In our view, the state should not be running a health insurance program for businesses. This is not something that retailers - or other business owners - have been clamoring for or

demanding. We are concerned that this proposal – and others like it - will result in a destabilized private insurance market, and higher taxes. Given the history of government health plans, these fears are not unfounded.

The regulatory advantages and ability to be subsidized by tax dollars would provide a huge market advantage for the government-run plan. This risks an adverse impact – some would suggest a death spiral - for private insurance across the state, leaving the government program as the dominant, or only, insurance provider in Connecticut. Businesses would bear the brunt of the cost of such a result, which underscores our concern.

### ***New Tax on Health Insurance***

The state-run government health care option would levy charges against small employers, nonprofits, and multi-employer plans to adequately fund it. If implemented, this then leaves small businesses as the financial backstop against any future deficits the public option plan may encounter. It should come as no surprise to you that this is something our hard-pressed businesses simply cannot afford.

SB 824 will levy a new health insurance tax assessment (up to \$50 million annually) against each insurer and healthcare center doing business in the state, as well as insurers that administer self-insured health benefit plans. The clear and present danger is that the tax will be passed on to small businesses, such as retailers, as well as other entrepreneurial individuals trying to start businesses. Connecticut needs those businesses, now more than ever.

Many of our members have already shifted to self-insured plans that are subject to federal, not state, regulations and thus can save a significant amount annually in premiums. The Federal Health Insurance Tax was repealed by Congress last year, and insurance premiums went down for many of our members and other small businesses in Connecticut. SB 842 would impose a state-level Health Insurance Tax, pushing premiums up and making health care more expensive. As a state, we should be imposing less, not more, of a burden on our businesses as we work to achieve a vibrant economic recovery.

### ***Taxpayers as Backstop***

These concerns are warranted, given the state's inability to administer a solvent municipal partnership plan for the past few years. That plan lost \$31.9 million in 2019, tripling its losses from the previous year. Connecticut taxpayers were the backstop to subsidize those losses then, and if a risk fund is created under this proposal, small businesses who opt-in to the plan will be the backstop in the future.

### ***Higher Premiums for Retailers***

Small businesses, like my member retailers, are very concerned about the potential for this bill to destabilize the private marketplace by creating a state-run government health care system, which will and lead to higher premiums for owners and their employees. This plan would also not be subject to Connecticut Insurance Department regulations, and leave the Comptroller's office with great flexibility to suppress premiums and offer benefit-rich packages without fear of having the plan discontinued.

Small businesses are concerned it will lead to higher premiums for employers and their employees. This is contrary to the rules that private insurers offering coverage for small employers must follow. This uneven playing field will create an unfair landscape for competition and cause financial distress and job losses for one of Connecticut's main economic drivers.

Assessments continue to be a major driver in healthcare costs, with recent data showing state government assessments totaling nearly \$100 million and premium taxes totaling \$209 million. This adds roughly \$163 to premium costs annually per year.

Please do not rush into enacting a new state-run government health care system that will have such profound long-term consequences for the small businesses, retailers and the entire State. Please vote no on SB 842.

Connecticut retailers and other small business owners are very worried about what will happen to the insurance market, and rightly so. Connecticut retailers, and our entire economy, will be hurt if you proceed to pass any of the unsustainable and expensive proposals that are currently being considered.

Thank you.