

## OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200  
Hartford, CT 06106 ◊ (860) 240-0200  
<http://www.cga.ct.gov/ofa>

---

SB-844

AN ACT CONCERNING THE INSURANCE DEPARTMENT'S  
RECOMMENDATIONS REGARDING VALUE-ADDED PRODUCTS  
AND SERVICES AND PROHIBITED INSURANCE PRACTICES.

AMENDMENT

LCO No.: 10409

File Copy No.: 357

Senate Calendar No.: 229

---

### ***OFA Fiscal Note***

#### ***See Fiscal Note Details***

**Sections 501-509** require the Office of Health Strategy (OHS) to establish health care cost growth benchmarks and include related reporting responsibilities, codifying requirements similar to provisions under Executive Order 5. Contract costs associated with implementing the executive order are approximately \$800,000 in FY 22 and FY 23. To the extent the provisions of the amendment extend beyond the requirements of the executive order, OHS would incur additional costs.

**Sections 510-515** require the Department of Consumer Protection (DCP) to establish a Canadian Legend Drug Importation Program (CLDIP) resulting in salary costs of \$75,000 in FY 22 and \$90,418 in FY 23 to DCP and fringe benefit costs of \$30,975 in FY 22 and \$37,343 in FY 23. In FY 22 only, a six-month durational Project Manager is needed to submit a request to the federal Secretary of Health and Human Services for approval to establish the CLDIP. Assuming federal approval is granted, a full-time Drug Control Agent will be needed to run the program beginning in FY 23.

**Sections 516-522**, which revise requirements for stop-loss insurance and make conforming changes, have no fiscal impact because the amendment codifies existing requirements issued by the Insurance

Department (DOI) through a bulletin.

**Section 523** requires a transfer from the General Fund of up to \$20.21 million per year beginning in FY23 to fund a state reinsurance program, conditional on approval of a federal 1332 waiver, and results in a cost to OHS of approximately \$100,000 in FY 22, for a consultant to apply for the waiver. The approval of this waiver is needed to establish the reinsurance program in Connecticut and obtain federal pass-through funding for it. If approved, the Health Reinsurance Association (HRA) is tasked under the bill to implement it.<sup>1</sup>

The programmatic costs for a reinsurance program will depend on enrollment in the individual health insurance market and the chosen design parameters, which are not specified in the bill. Prior to the significant changes taking place in the individual health insurance market in the past year, an analysis commissioned by the Connecticut Health Insurance Exchange estimated that for \$19.5 million in state funding, a state reinsurance program could generate up to \$34.9 million in federal funding for the program annually.<sup>2</sup> Depending on the program's complexity, the annual cost for HRA to administer the program is estimated to range between \$150,000 to \$500,000, which is the cost for a third-party administrator to manage the reinsurance program operations (e.g. processing claims).

The reinsurance program may change the total amount of direct written premiums written in Connecticut, and through that, may change Insurance Premiums Tax revenue. Lower direct written premiums, due to per-policy cost reductions from reinsurance, would proportionately lower tax revenue, but increased enrollment, due to lower prices, may offset any such direct written premium reductions.

---

<sup>1</sup> HRA is an existing nonprofit association that all health insurers, health care centers, and self-insurers must belong to as a condition of offering health insurance in Connecticut.

<sup>2</sup>The study assumes that the domestic health insurance industry is not assessed to cover the state cost, and the program lowers health insurance premiums by 7.2% compared to what premiums would be without reinsurance. Wakely Consulting Group study (2020). Note that the federal revenue gain will depend on actual federal savings in premium tax credits.

The Department of Revenue Services collected \$202.5 million from the Insurance Premiums Tax in FY 20; it is uncertain how much of that revenue is from policies that could be affected by the reinsurance provision under the bill.

**Section 524** could result in a cost to the Auditors of Public Accounts (APA) to annually conduct an audit of each health care plan administered or offered by the state to persons other than state employees during the preceding calendar year. The APA may engage the services of third-party actuaries, professionals and specialists to assist them in conducting these audits.

The amendment makes technical, conforming, and other changes that have no fiscal impact.

*The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*