Testimony of Chris DiPentima
President & CEO, CBIA
Before the Committee on Insurance & Real Estate
Hartford, CT
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Testifying in opposition of:

SB 842: AN ACT CONCERNING HEALTH INSURANCE AND HEALTH CARE IN CONNECTICUT

My name is Chris DiPentima and I am President & CEO of CBIA, the Connecticut Business and 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.

On behalf of the small business community, I am here today to voice our opposition to SB 842, An Act Concerning Health Insurance And Health Care In Connecticut. A state-run health insurance plan, as proposed under this bill, will destabilize the health insurance marketplace, require taxpayer and/or employer subsidies to finance the program, and negatively impact an economy already struggling to rebound due to the COVID-19 pandemic.

CBIA agrees with the proponents of this bill that rising healthcare costs pose an existential crisis for Connecticut small business owners and their employees. In a recent survey of our membership, 98% of respondents reported they were very or somewhat concerned with rising healthcare costs. However, our members disagree with the advocates for this bill on the best way forward to address these concerns. For instance, 69% of survey respondents opposed the concept of a public option, with 57% saying they were concerned that taxpayers will subsidize plan deficits and almost 50% noting that they do not trust the state to manage health insurance plans.

Our membership's concerns are not alleviated by the bill before you today. The bill purports to offer small businesses with one to 50 employees an "option" to buy into a state-run plan, administered by the Comptroller, that will pool participants with state employees for the purpose of creating a fully insured equivalent rate (line 63).

The business community's concerns surrounding future subsidization of this plan are grounded in what we have witnessed surrounding the performance of the municipal partnership plan. In 2019, that plan ran a deficit of $31.9 million, more than tripling the losses it incurred the previous year.[1] The bill attempts to alleviate Connecticut taxpayers at-large from subsidizing sizable losses in the future by authorizing the Comptroller to establish a "risk fund" to pay claims that exceed the collection of premium payments, but it would be small employers who will underwrite this fund (172-177). In other words, small business participants are responsible for future plan deficits. While Connecticut taxpayers were the "backstop" for past partnership plan deficits, that burden now shifts to our smaller employers.

Unlike private carriers who are bound by "guarantee issue" in the fully insured market, the Comptroller will also have the authority to approve or deny applicants at will (line 67). Cherry picking risk groups likely will destabilize the market by allowing entry into the plan groups with good risk while leaving those with bad risk in the private market. If this occurs, rates will rise significantly in the private market and add to the already burdensome premium costs.

This public option plan also creates an unlevel playing field for private market insurers, with the potential to permanently damage the economic activity and tens of thousands of jobs this industry supports. For example, the Comptroller will be exempt from all Connecticut Insurance Department regulations (lines 50-51), be allowed to adjust rating factors that private plans must use (lines 74-92), and provide a rate guarantee of no more than a 3% increase or decrease that private plans are currently prohibited from offering (lines 93-100).

Because private carriers will be at a disadvantage to compete with the state-run plan, the nearly 50,000 jobs that the industry supports and the more than $15 billion in annual economic output in the state will certainly be impacted negatively.[2] While CBIA is working with lawmakers on both sides of the aisle to advance commonsense and bipartisan solutions to repair and rebuild our economy following the devastation caused by the COVID-19 pandemic, this bill, if passed, woll hinder that mission by handicapping one of the state's largest economic

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[1] State of Connecticut Partnership Plan 2.0 - Claims, Demographics & Other Considerations, Brown & Brown Insurance (March 2020) https://www.cbia.com/wp-content/uploads/2020/03/SPP-Presentation-from-Brown-Brown-03-13-20.pdf
[2] Impact of Health Insurance Industry on the State of Connecticut, CERC (May 2019) https://www.cbia.com/resources/economy/reports-surveys/ct-health-insurance-industry-report/

drivers. This danger is compounded by recent comments from the advocates that this bill is "transitional" toward a single-payer healthcare system.[3]

While CBIA members disagree with the approach taken under this bill, we remain committed to working with you to bring much-needed relief that the current healthcare landscape demands. There are a number of bills pending before the committee that do this.

First, a handful of proposed bills codify Gov. Lamont's Executive Order number five into state statute and builds on the progress that the Office of Health Strategy has made establishing cost-growth benchmarks and planning to hold carriers publicly accountable for not addressing responsible cost growth. This approach was successful in Massachusetts where the average rate of growth in total health care spending per capita was held below the state's benchmark from 2013 to 2018,[4] bringing financial relief to the millions of insured individuals and businesses in the state.

Second, in lieu of issuing new, broad-based assessments on carriers throughout the state to provide subsidies on the exchange as this bill would do, the legislature should enact measures implementing a state-operated reinsurance program. CBIA supported similar efforts in the past, and supports efforts this year. A reinsurance program allows for risk mitigation by providing additional coverage for catastrophic events and reducing volatility in risk pools driven by high-cost claims. Through the successful acceptance of a 1332 Innovation Waiver, the state can leverage federal pass-through funding to sustain the program's solvency following a one-time General Fund allocation to jumpstart the program.

Third, this committee must hold the line and not pass any new health benefit mandates that raise the cost of coverage amongst insured individuals and businesses in the individual and group markets by adding more than

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[3] Marc E. Fitch, Comptroller Lembo says public option healthcare plan is "transitional" ahead of Tuesday hearing, Yankee Institute (Feb. 5, 2021) https://yankeeinstitute.org/2021/02/05/comptroller-lembo-says-public-option-healthcare-plan-is-transitional-ahead-of-tuesday-hearing/

[4] Lisa Waugh & Douglas McCarthy, How the Massachusetts Health Policy Commission Is Fostering a Statewide Commitment to Contain Health Care Spending Growth, The Commonwealth Fund (March 5, 2020) https://www.commonwealthfund.org/publications/case-study/2020/mar/massachusetts-health-policy-commission-spending-growth

$2,000 annually to health insurance premiums. CBIA supports HB 5013, which (1) allows mandate review to be conducted by actuarial accounting firms in addition to the University of Connecticut Center for Public Health and Health Policy; and (2) require mandate legislation to receive (a) a mandate review and informational hearing or (b) a two-thirds vote of this committee before being enacted.

CBIA welcomes the opportunity to work with this committee to make healthcare more affordable for Connecticut small business owners and their employees. Thank you for your time and consideration.