



February 9, 2021

Chairman Matthew Lesser  
Chairwoman Kerry Wood  
Joint Committee on Insurance and Real Estate Committee  
Legislative Office Building, Room 2800  
Hartford, CT 06106

**RE: AHIP's Comments on SB 842, An Act Concerning Health Insurance and Health Care in Connecticut – Oppose**

Chairman Lesser, Chairwoman Wood, 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.

Every American deserves affordable coverage and high-quality care. That's what health insurance providers are committed to delivering: more choices and better quality at lower costs.

Millions of Connecticut residents have affordable health care coverage they value where they get the care they need when they need it – from the best doctors and hospitals in the world.

We know aspects of the delivery of health care can be improved. However, a one-size-fits-all government insurance system is not the answer. Bluntly, a public option, would lead Connecticut citizens to pay more to wait longer for worse care.

The proposed public option is being marketed as a way to expand affordable coverage. However, it will do the exact opposite for working-class individuals, families, small business employees, and local business owners for these central reasons:

- **Taxpayers will be on the hook for millions of dollars more.** The State of Connecticut Partnership Plan 2.0 has been losing money for years. And these losses are growing. In 2018, the Plan paid out \$10.3 million more in claims than it collected in premiums. A recent projection shows a \$25 million deficiency for 2020. Adding more enrollees through the nonprofit and small employer buy-in proposal will only make the problem worse.
- **Nonprofit employer and small business buying-in to the state employee plan will cause taxes to skyrocket even more.** Under the state employee plan, the state assumes all the risk for the people enrolled. Letting nonprofit employers and small businesses buy into the state employee plan means that taxpayers could be assuming the risk for thousands more people.
- **The proposed public option contemplates an actual, new health insurance tax that will make health care more expensive, in the midst of a pandemic, right when people need the safety net provided by their coverage.** Connecticut consumers already pay almost \$700 annually in taxes on their health insurance coverage. More taxes do not make health care more affordable.
- **It could destabilize the insurance and provider markets, risking health care quality and access for Connecticut citizens.** The proposed government health option could significantly hinder competition and drive health insurance providers out of several markets because:

- 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, they may be reluctant to offer traditional market plans in markets that are unable to compete on price.
- There is no mandate for providers to participate in the networks of these “government health option” health plans, making it difficult for carriers to contract with providers. 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 “government health option” plans will cease to be offered.
- **The reimbursement rate of government plans may push providers to require higher reimbursement rates in their contracts for other products.** Reimbursement rates for doctors and facilities participating in “government health option” plans will need to be below-commercial market rates. To make up for increased volume at lower reimbursement rates, providers may increase rates for non-governmental health plans, including individual plans.
- **Medicare-based reimbursement rates will likely cause smaller and rural hospitals, and physicians serving those communities, to be unable to sustain large new blocks of business at below-commercial market levels of reimbursement.** Indeed, federal price-cap proposals have repeatedly been dismissed because they pose too many risks to the health care delivery system.

Although AHIP shares your goals to make health care more affordable for Connecticut residents, we do not believe a government health option is the solution to address the underlying costs of health care in the state. If providing subsidies is a priority for the legislature, the legislature should fund it through general fund dollars – not through a tax that helps one segment of the population at the expense of another.

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 already fragile health care markets. Thank you very much for your consideration of our comments.

Sincerely,

America’s Health Insurance Plans



By: \_\_\_\_\_

Brendan Peppard