Insurance and Real Estate Committee
JOINT FAVORABLE REPORT

Bill No.: SB-1116
Title: AN ACT CONCERNING A STATE-OPERATED REINSURANCE PROGRAM AND HEALTH CARE COST GROWTH.
Vote Date: 3/16/2023
Vote Action: Joint Favorable Substitute
PH Date: 3/2/2023
File No.:

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SPONSORS OF BILL:

The Insurance and Real Estate Committee

REASONS FOR BILL:

This bill seeks to reduce Connecticut healthcare costs by establishing a reinsurance program, subjecting hospitals to the Office of Health Strategy's benchmark review, and prohibiting variable healthcare service reimbursements based on site of service.

Colloquially referred to as "insurance for insurance companies," a reinsurance plan is one where the original/"cedent" insurer transfers a portion of their risk to a "reinsurer" company, who is then responsible for paying claims from this pool. Section 1332 of the Affordable Care Act permits states to implement a reinsurance program in which the federal government serves as the reinsurer. This overall reduction in risk allows insurers on the state's exchange to charge lower premiums to policyholders.

The Connecticut Healthcare Benchmark Initiative program is a means for OHS to "[slow] the growth of healthcare spending" by collecting data and holding cost-drivers accountable. OHS conducts annual reviews of "provider entities" and analyzes how they performed vis-à-vis that calendar year's cost growth target. This bill explicitly subjects hospitals to this review process.

The final provision in the bill seeks to lower costs by removing price disparities for the same service/procedure. Currently, a provider can bill a patient who goes to a hospital a different (typically higher) rate than a patient receiving identical care from a satellite facility. This bill would require providers to be reimbursed at lesser of these rates.

SUBSTITUTE LANGUAGE:

The substitute redrafts section 8 of the bill, which addresses site of service reimbursements. The new language requires that providers bill for services under the NPI and federal tax identification number of the facility that provided service. This distinction was not present in the original language.

RESPONSE FROM ADMINISTRATION/AGENCY:

State of Connecticut, Office of the Healthcare Advocate, Healthcare Advocate, Ted Doolittle: supports the site-neutral provision because "it would have the effect of making the higher-priced sites more affordable relative to the lower-priced sites" and finds such price disparities "vast and unconscionable." He also supports including hospital spending in the cost growth benchmarks as "[hospitals] are the primary drivers of systemic health care cost growth." He opposes reinsurance because "the benefits of a reinsurance plan will flow disproportionately to families whose [premiums] are less than 8.5% of their annual income." He noted that reinsurance programs require budget-neutral offsets which, in this case, are achieved by "cutting subsidies to the relatively lower-income families who receive the bulk of the federal ACA subsidies." He finds reinsurance to be practically unnecessary until the provisions and subsidies of the American Rescue Plan Act and Inflation Reduction Act expire.

State of Connecticut, Office of Health Strategy, Executive Director, Dr. Deidre Gifford: opposes the reinsurance provision because "OHS currently does not have the staffing resources or expertise to fulfill this requirement." She also opposes the benchmark provision as written because "OHS has already included the provider entities employed/contracted by hospitals in the [benchmarks]" and notes "the current methodology used. . .would not work with hospitals because there is not a primary care provider relationship" patients could be attributed to. Moreover, the language regarding the All Payer Claims Database data is unclear. She testified that growing healthcare costs are "particularly disadvantageous" to those with developmental disabilities but opposes the monitoring provisions in this bill. She believes it "is not feasible to incorporate measures that [decidedly] link or not link [benchmark programs] to funding cuts to a specific group" and that there is no evidence which shows "benchmarking programs or primary care spending targets" produce such results.

Connecticut State Council on Developmental Disabilities, Executive Director, Walter Glomb: supports this bill because it "[includes] people with developmental disabilities in the monitoring plan for the state's healthcare cost benchmark and primary care spending target initiatives." He testified that "the burden [of rising healthcare costs] falls heavily on people with developmental disabilities" and this population "must be protected with a robust underservice monitoring system."

NATURE AND SOURCES OF SUPPORT:

Connecticut Association of Health Plans, Executive Director, Susan Halpin: supports this bill. She testified that specifically including hospitals in OHS benchmarks will lead to direct engagement with "the most widely recognized cost driver in the system." She supports greater utilization of the All Payer Claims Database and believes a state-funded reinsurance program would result in "significant savings" for policy holders. She further testified that section 8 of the bill could be strengthened by requiring site-specific NPI and TIN numbers in the billing process. This would "ensure services are not being billed under the higher hospital reimbursement rate associated with an umbrella organization."

Connecticut General Assembly, Senate Republican Leader, Senator Kevin Kelly: supports this bill as reinsurance is critical to the Senate Republicans' proposals to reduce healthcare costs and "ensure premium relief is real and meaningful for ALL Connecticut families." He testified that if the state invested $80 million in a reinsurance plan, "less than a half of one percent of the state budget," it could "leverage tens of millions in federal matching funds" and thereby produce "an average premium reduction of more than 25% across all plans." He noted that the Connecticut family spends over $24,000 on healthcare premiums, the third highest in the United States.

NATURE AND SOURCES OF OPPOSITION:

Connecticut Citizen Action Group, Associate Director, Liz Diehl: opposes this bill because it "would serve to socialize the risk of insurance companies without demanding any changes in their behavior." Healthcare costs could be reduced more meaningfully if the General Assembly passes legislation that: ends stock buybacks; mandates Pharmacy Benefit mangers pass all rebates through to patients directly or via deductible credits; requires financial disclosures from mergers/acquisitions that vertically integrate the healthcare provider market; and caps CEO compensation.

Connecticut Hospital Association, Government Relations Team: testified in opposition of sections 2-8 of the bill. They support the principle of benchmarks but oppose analyzing hospital performance under existing measures, which already account for hospital spending in the total healthcare expenditures. Adding a new assessment level for hospitals without meaningfully changing the methodology would "undermine the validity of the benchmarking process." The Association opposes site-neutral payments because they do not account for the higher standards and preparations that hospitals require. They further state that "rate-setting policies for services by the state [will] continue to erode the ability to care for patients and will undermine the financial health of the sector."

Connecticut Orthopaedic Society, President, Dr. Tarik Kardestuncer, M.D.: opposes section 8 of this bill because it "would restrain physicians by stripping away their ability to negotiate for fair and reasonable reimbursement for the care and treatment of patients in outpatient facilities."

Connecticut State Medical Society, Government Relations Team: opposes section 8 of this bill because it "gives physician practices even less leverage in negotiating in-network contracts." Furthermore, this lack of leverage will "force any and all remaining independent physician offices into consolidation, driving up prices across the entire healthcare landscape."

Day Kimball Healthcare, CEO, Kyle Kramer: opposes the bill's inclusion of site-neutral payments and its method of incorporating hospitals in the OHS cost growth benchmark. He testified that his network's "ability to provide comprehensive healthcare services depends largely on the financial health." In combination, "the cuts in commercial reimbursement" that would result from site-neutral payments and the "significant underpayment provided by government payers for hospital services" present a significant threat. He believes the benchmark's methodology, as currently written, cannot adequately evaluate hospitals.

Eastern Connecticut Health Network, CEO, Deborah Weymouth: does "[support] the cost growth benchmark work" but opposes this bill because its "misapplication" of existing methodology "will undermine the validity of the benchmarking process." She also opposes the site-neutral payment provision because "rate-setting policies for services . . . erode the ability to care for patients and will undermine the financial health of the sector."

Hartford Healthcare, Director of Government Affairs, Melissa Riley: opposes the site-neutral provisions in this bill because they "contradict Medicare program criteria and fail to recognize the high level of preparedness required for hospital care." She does support "the cost growth benchmark work" but "opposes the misapplication" of existing measures "prescribed in the bill as it will undermine the validity of the benchmarking process."

Middlesex Health, President and CEO, Vincent Capece: does "[support] the cost growth benchmark work" but opposes this bill because its "misapplication" of existing methodology "will undermine the validity of the benchmarking process." He also opposes the site-neutral payment provision because "rate-setting policies for services . . . erode the ability to care for patients and will undermine the financial health of the sector."

Stamford Health, President and CEO, Kathleen Silard: notes that "Stamford Health has been an active participant in the state's cost growth benchmark efforts" but opposes this bill because its "misapplication" of existing methodology "will undermine the validity of the benchmarking process." In addition, she opposes the site-neutral provision in this bill because "rate-setting policies for services . . . erode the ability to care for patients and will undermine the financial health of the sector."

Trinity Health of New England, Vice President, Dan Keenan: opposes the benchmark expansion and site-neutral payment provisions of the bill. He "supports a cost growth benchmark process" but believes that applying "cost growth benchmark targets specifically to hospitals could result in the misapplication of measures included. . . to assess performance against the benchmarks." He opposes site-neutral payments because it would reduce commercial reimbursement; hospitals adjust their revenue structure for a variety of services so they can have adequate funding to fulfill the entirety of their responsibilities.

Yale New Haven Health, Senior Government Relations Officer, Ann Hogan: "supports the cost growth benchmark work and opposes the language in SB 1116 as it will undermine the validity of the benchmarking process." She also opposes section 8 of the bill because the consequent "cuts in commercial reimbursement. . . will undermine [hospitals'] financial health and erode our ability to care for patients."

GENERAL COMMENTS:

Dr. Grayson Howard, M.D.: testified on a bill that was on the agenda for the 2/28 public hearing and submitted identical testimony for SB 1116. He opposes expansion of a fair rent commission for all municipalities.

Reported by: Sean Chilson **Date: 03/23/20023**