



State of Connecticut

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Testimony in Support of

[S.B. No. 1116](#) AN ACT CONCERNING A STATE-OPERATED REINSURANCE PROGRAM AND HEALTH CARE COST GROWTH

March 2, 2023

Senator Cabrera, Representative Wood, Senator Hwang, Representative Pavalock-D'Amato, and distinguished members of the Insurance and Real Estate Committee.

For middle-class Connecticut families, the cost of health care is anything but affordable. People are taking it on the chin every day, and family budgets are breaking.

Last month, Senate Republicans unveiled “**A Better Way to Affordable Health Care**” – a comprehensive set of legislative proposals aimed at lowering the cost of health care in Connecticut. ([The plan is attached.](#)) Our plan does that through transparency, through competition, and by enabling the marketplace work better for the consumer.

The promises of the Affordable Care Act – to create affordable and accessible quality care for all people – have not been delivered for far too many Connecticut residents. Senate Republicans have pushed for action year after year, and we are again offering thoughtful and impactful solutions to provide relief. We won't stop fighting to create a more affordable Connecticut.

A key part of our plan centers on health care reinsurance. Health care reinsurance means putting our record state surplus to work by guaranteeing assistance in paying healthcare claims that exceed a certain amount. When the Affordable Care Act was passed, a temporary federal reinsurance program was created to help keep insurance premiums down. When the federal program ended, premiums in Connecticut skyrocketed. Now, Connecticut has the ability to act on its own through what is known as a State Innovation Waiver to create its own reinsurance program.

Our plan implements a state-based reinsurance program to reduce health insurance premiums. An analysis commissioned by Access Health CT, the state health insurance exchange, estimated that a reinsurance program would reduce premiums from anywhere between 6% and 29.5%, depending on the investment made by the state. The program would be funded through the state budget, not through a new assessment or tax. While taxing insurers may be popular, those costs simply get passed on to consumers and end up increasing the cost of your insurance. An annual investment of roughly \$80 million—less than a half of one percent of the state budget—will leverage tens of millions in federal matching funds and lead to an average premium reduction of more than 25% across all plans.

While I was disappointed to not see reinsurance in the governor's budget proposal, I feel it is our job as policymakers to help make that budget proposal better. Getting the waiver to pay the most expensive health insurance claims could lower health insurance by 30%. Imagine being able to essentially lower everyone's health insurance premiums by \$600 per month for the average family of four? That's real money for real people. We can do this.

The state has used a patchwork of federal COVID-19 relief funds to provide short-term premium relief during the pandemic. We must sustain this relief. Reinsurance will provide relief for years to come.

It is my understanding that, even with a state-operated reinsurance program in place, some individuals in very specific circumstances may actually face a small net increase in premiums as the reduction in federal subsidy potentially outpaces the premium reduction. Senate Republicans stand ready to work alongside this committee to ensure premium relief is real and meaningful for ALL Connecticut families.

Connecticut's average insurance premium for family coverage today is \$24,018 per year – that's third highest in the nation. Affordability is a crisis in our state. Crushing insurance rate increases and rising health care costs only add to that. Health care is not affordable in Connecticut, but it doesn't have to be that way.

There is a better way. That better way must lead us toward reducing health insurance premiums by up to 30% over the long term by implementing a state-based reinsurance program.

I urge your consideration of SB 1116.