



**INSURANCE AND REAL ESTATE COMMITTEE PUBLIC HEARING
THURSDAY, MARCH 5, 2020
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
TESTIMONY IN SUPPORT OF SB 328, HB 5018**

My name is Michelle Rakebrand, Assistant Counsel for CBIA, the Connecticut Business & 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.

CBIA supports SB 328, An Act Concerning Health Care Cost Growth Benchmarks, Canadian Drug Reimportation, Stop-loss Insurance And Reinsurance and HB 5018, An Act Concerning Health Care Cost Growth In Connecticut. This testimony is offered in support of the proposal for the healthcare cost growth benchmarks and the establishment of a reinsurance program. However, we are not commenting below on the sections pertaining to stop-loss insurance or drug reimportation.

Year after year, Connecticut employers rank healthcare costs as one of their top concerns. Connecticut has the sixth highest healthcare expenditures per enrollee in the country. With premiums and the cost of care increasing each year, it is essential we find a solution to address costs. Healthcare cost growth benchmarks are a meaningful way to slow ever-increasing health care expenditures, while reinsurance will stabilize the insurance market and make coverage more accessible and affordable.

Healthcare cost growth benchmarks, which will be established by the Office of Health Strategy, have been an effective means of stabilizing healthcare costs in other states. This bill is largely based on the Massachusetts model, which makes affordability the focal point of these efforts. By establishing a benchmark between 3.1% and 3.6%, Massachusetts has controlled the growth of total healthcare expenditures. Additionally, Massachusetts has successfully kept spending under the target since the establishment of benchmarks. However, the Massachusetts Health Policy Commission, charged with setting the benchmarks and providing oversight, cost the state nearly \$100 million, funding that Connecticut does not have. CBIA remains optimistic that benchmarks will help stabilize the cost of health insurance as the proposal directly addresses the cost of care, but we cannot support a program with even a fraction of the cost of the Massachusetts program.

The concept of reinsurance, implemented at the inception of the Affordable Care Act (ACA), allows for risk mitigation by providing additional coverage for catastrophic events. For employer plans, the primary insurer will purchase a reinsurance policy to cover claims that exceed a certain amount, known as an attachment point. By capping the amount of a claim the insurance company and enrollee will be responsible for, the market becomes significantly less volatile and therefore more predictable. It addresses the issue of too many people with high medical needs seeking coverage from the same market without enough healthy people to counteract the risk, and insurers responding by charging higher premiums to cover the costs of the high-need individuals. Higher premiums ultimately drive more healthy people out of the insurance market.

While reinsurance programs offer clear cost benefits, these programs are expensive to implement. It is imperative the legislature seek federal funding by applying for a 1332 Innovation Waiver. Section 1332 of the Affordable Care Act permits a state to apply for a State Innovation Waiver, also known as a State Relief and Empowerment Waiver, to allow the implementation of innovative ways to provide access to quality healthcare that is at least as comprehensive and affordable as would be provided absent the waiver, provides coverage to a comparable number of residents as provided absent a waiver, and does not increase the federal deficit. A number of states have had 1332 waivers approved for the funding of a reinsurance program.

Although the 1332 waiver will help alleviate the cost of a reinsurance program, the state must contribute to receive pass-through funding. Employers support the use of the state's General Fund to implement a reinsurance program rather than the Insurance Fund. Utilizing the General Fund allows the increase to be distributed among all Connecticut residences. If the Insurance Fund is used, insurance premiums will rise, which is counterintuitive to the goals of this initiative.

Employers commend this committee for taking steps to alleviate the ever-increasing cost of healthcare. We look forward to working with you as we continue to address this issue.