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SB-364
AN ACT CONCERNING HEALTH INSURANCE.
AMENDMENT
LCO No.: 5942
File Copy No.: 315
Senate Calendar No.: 234

OFA Fiscal Note

See Fiscal Note Details

The amendment strikes the underlying bill and its associated fiscal impact and results in the fiscal impacts described below.

State Reinsurance Program

The amendment requires the Office of Health Strategy (OHS) to seek a Section 1332 state innovation waiver to establish a reinsurance program designed to lower premiums for the individual health insurance market. The amendment specifies that if the waiver is granted, the Treasurer must annually pay the amount needed to fund the program, up to $21.21 million, and that the Health Reinsurance Association (HRA) will administer it.[1] This results in the following fiscal impacts:

- a General Fund cost of up to $21.21 million per year beginning in FY 24 to fund the state reinsurance program, conditional on a federally approved 1332 waiver being in place,

[1] HRA is an existing nonprofit association that all health insurers, health care centers, and self-insurers must belong to as a condition of offering health insurance in Connecticut. Depending on the reinsurance program's complexity, the annual cost for HRA to administer the program is estimated to range from $150,000 to $500,000, which is the cost for a third-party administrator to manage the reinsurance program operations (e.g. processing claims).

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- a cost to OHS of at least $100,000 in FY 23 for a consultant to apply for the waiver,
- an annual revenue gain of federal funding, beginning in FY 24 or later, and
- a potential change to state insurance premiums tax revenue.

Generally, Section 1332 waiver programs generate significant new state revenue from the federal government (known as "pass-through" funding) which can partially fund a state's program. The actual revenue gain will depend on how much the program reduces federal premium tax credits for Connecticut Health Insurance Exchange enrollees.[2] Any such revenue would be received annually while the waiver was in effect, after the waiver was applied for and approved.

A reinsurance program may change the total amount of net direct premiums written in Connecticut, and through that, may change collections of the state's 1.5% insurance premiums tax. Lower direct written premiums, due to per-policy cost reductions from reinsurance, would proportionately lower tax revenue, but increased enrollment, due to lower prices, may offset any such direct written premium reductions. The Department of Revenue Services collected $202.3 million from the Insurance Premiums Tax in FY 21; it is uncertain how much of that revenue is from policies that could be affected by the reinsurance provision under the amendment.

Pharmacy Benefit Managers (PBM) Report

The amendment also results in a potential cost of up to $500,000 to the Insurance Department in FY 23. The amendment requires the Insurance Department (DOI) to prepare and submit a report to the Insurance and Real Estate Committee by January 1, 2023, which must include an analysis of PBMs' use of spread pricing arrangements,

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[2]https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-#Application%20Tools%20and%20Resources

manufacturing rebates and transparency and accountability. If the agency can collect sufficiently detailed information from PBMs as would be required for an in-depth analysis, it is anticipated that DOI would hire a consultant with expertise in drug pricing and PBM drug distribution practices to prepare the report at a cost of up to $500,000. The cost would depend on the complexity of the analysis.

State Purchasing Pools Report

The provisions requiring the Department of Public Health and State Comptroller to prepare and submit a report have no fiscal impact since the agencies have enough expertise within existing staff resources to conduct the study.