

OFFICE OF FISCAL ANALYSIS

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sSB-1116

AN ACT CONCERNING A STATE-OPERATED REINSURANCE PROGRAM AND HEALTH CARE COST GROWTH.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Office of Health Strategy	IF - Potential Cost	See Below	See Below
Connecticut Health Insurance Exchange	Resources of the Exchange - Potential Revenue Impact	None	See Below
Resources of the General Fund	GF - Potential Revenue Gain	None	See Below

Note: GF=General Fund; IF=Insurance Fund; Various=Various

Municipal Impact: None

Explanation

The bill could result in a revenue impact to the Connecticut Health Insurance Exchange after a reinsurance program is in place, to the extent reinsurance changes the aggregate amount of premiums sold for individual market health insurance. The exchange is almost entirely funded by a marketplace assessment, charged at 1.65% of premiums sold by carriers in the individual and small group markets. While reinsurance would almost certainly reduce aggregate premiums for current enrollees (leading to a revenue loss for the exchange), additional premium related to new enrollment at lower premium prices could offset that effect.

The bill may also result in a revenue gain to the General Fund beginning as early as FY 25. Generally, Section 1332 waiver programs

generate new state revenue from the federal government (known as "pass-through" funding) which can partially fund the program. The amount is based on how much the program reduces federal premium tax credits for Connecticut exchange enrollees. Previous research has estimated that a reinsurance program with a state investment of \$19.5 million could generate \$23 million or more in federal pass-through funding.¹ Any such revenue would be received annually while the waiver was in effect, after the waiver was applied for and approved.

The bill may also result in a potential cost to the Insurance Fund to the extent that additional Office of Health Strategy personnel are necessary to fulfill the provisions of the bill.

The Out Years

The annualized ongoing fiscal impact described above would continue into the future subject to the change in total premium in the individual health insurance market and federal approval of a Section 1332 waiver.

¹ Research by Wakely Consulting Group, LLC. commissioned by the exchange and reported in February 2020. Note that such estimates may no longer be accurate due to significant shifts in the individual insurance market from the COVID-19 pandemic and changes to federal subsidies under the American Rescue Plan.