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HB-6710
AN ACT CONCERNING ASSOCIATION HEALTH PLANS AND ESTABLISHING A TASK FORCE TO STUDY STOP-LOSS INSURANCE.

AMENDMENT

LCO No.: 9466
File Copy No.: 330
House Calendar No.: 229

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 $	FY 25 $
Insurance Dept.	IF - Cost	See Below	See Below
Insurance Dept.	IF - Revenue Gain	See Below	See Below
Insurance Dept.	GF - Revenue Gain	Minimal	Minimal
Department of Revenue Services	GF - Potential Revenue Loss	None	See Below
Connecticut Health Insurance Exchange	Resources of the Exchange - Revenue Loss	Potential Significant	Potential Significant

Note: GF=General Fund; IF=Insurance Fund

Municipal Impact: None

Explanation

The amendment strikes the underlying bill and its associated fiscal impact, resulting in the fiscal impact described below.

The amendment authorizes two forms of association health plans that are not permitted under current law: (1) self-funded multiple employer welfare arrangement (MEWA) trusts that administer a health benefit plan that is not insurance but has to follow most of the rules for health insurance companies, and (2) associations of small employers purchasing health insurance subject to large group rating rules.

The amendment results in: (1) costs and offsetting revenue to the Insurance Department (DOI) associated with regulating the self-funded MEWA trusts beginning as early as FY 24, (2) a potential revenue gain to the General Fund from license fees to the extent those entities form and pay the same license fees as health insurance companies, (3) a potential revenue loss to the General Fund associated with insurance premiums tax beginning in FY 25, and (4) a potentially significant revenue loss to the Connecticut Health Insurance Exchange ("exchange") beginning in FY 24.

The amendment also creates a task force to study stop loss insurance and report on its findings and recommendations by February 1, 2024, and requires self-funded MEWA trusts to report claims data to the all-payer claims database, which are not anticipated to result in a fiscal impact.

State Regulation Fiscal Impacts

The total annual costs for state regulation of self-funded MEWAs will depend on the number of such entities that are established; however, the cost per year to DOI is anticipated to be approximately $17,000 or more each. The amendment requires that self-funded MEWAs reimburse DOI for costs associated with their financial and market conduct examinations, so costs to DOI under the amendment should be mostly offset by Insurance Fund revenue gains to the agency.[1]

Costs related to regulating self-funded MEWA trusts could be incurred beginning in FY 24, as the amendment allows them to apply for a license beginning October 1, 2023, and to start offering health benefit plans, once licensed, beginning April 1, 2024. The entities would bear the cost of either staff time or the contracted services of attorneys, appraisers, independent actuaries, independent certified public accountants, or other professionals required to supplement agency

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[1] Increases in fully insured associations of small employers are not anticipated to increase DOI costs, as the insurers selling such plans are already regulated by DOI.

staffing, which is estimated to cost approximately $17,000 per self-funded MEWA trust per year.

The estimate reflects the staff time, at both analyst and supervisor hourly rates, anticipated to be required to handle the new volume of work, including time spent: (1) performing quarterly analysis and review, (3) reviewing requests for approvals, and (3) meeting with the companies as needed.

The amendment gives employees covered by self-funded MEWA trusts' health benefit plans access to the Consumer Affairs Division at DOI, which could result in staff costs to the Insurance Fund, to the extent additional staff are needed to handle the volume of complaints and questions received.

The amendment also requires the Insurance Commissioner to make certain judgements and determinations related to self-funded MEWA trusts and visit and examine them every five years.

To the extent many such self-funded MEWAs are established, DOI is anticipated to incur ongoing costs for hiring additional staff, resulting in salary and fringe benefit costs to the Insurance Fund. If the number of MEWAs is small, the agency is likely to rely on a combination of existing staff and consultants to supplement that capacity, resulting in contract costs that would be borne by the self-funded MEWA trusts.

The amendment also results in a minimal General Fund revenue gain to DOI beginning in FY 24 associated with licensing fees and other filing fees charged to health insurance companies. (The initial license fee is $220, and the annual renewal fee is $200). The revenue gain would depend on the number of self-funded MEWA trusts that become licensed to offer health benefit plans under the amendment.

The amendment allows DOI to adopt implementing regulations, which has no fiscal impact because the agency has the necessary expertise.

State Tax and Exchange Revenue Impacts

The amendment may result in a change to the amount of net direct written premiums in the fully insured small group market beginning in FY 24, to the extent small employers currently purchasing that insurance begin participating in the association health plans permitted under the amendment.

Significant uptake of self-funded MEWA trust health benefit plans by small employers currently in the fully insured market could reduce the total amount of net direct written premium that is taxed by the state beginning in FY 25, as health plans offered by self-funded MEWA trusts are not an insurance product.

The insurance premiums tax is levied at a rate of 1.5% on all net direct premiums underwritten. The Department of Revenue Services collected $204.7 million from the insurance premiums tax in FY 22; it is uncertain how much of that revenue is from policies that could be affected by the amendment.

Significant uptake of association health plans could reduce exchange revenue substantially by reducing the base for its marketplace assessment. The operations of the exchange are almost entirely funded by its marketplace assessments, which are charged at a rate of 1.65% on premiums in the fully insured individual and small group markets.

The exchange marketplace assessment totals approximately $31.4 million for FY 23, with small group premiums accounting for 48% of that revenue (approximately $15.2 million annually). If there was a 10% reduction in fully insured small group premiums as a result of the amendment, exchange revenue would be anticipated to decrease by approximately $1.5 million per year. For context, fully insured small group plan enrollment was 107,652 in 2021.[2]

Given that fully insured small group market enrollment has been decreasing in recent years, further enrollment reductions from the

[2] Connecticut Insurance Department, *2022 Consumer Report Card on Health Insurance Carriers*. Individual plan enrollment was 109,471 in 2021.

amendment could contribute to a smaller, deteriorating risk pool for those small employers remaining in the fully insured small group market.

Insurance Fund Assessments

The amendment does not impact the revenue to be collected by the three assessments that support the Insurance Fund (the general assessment, the Health and Welfare Fee, and the Public Health Fee), except to the extent that more revenue is needed to support DOI costs for regulating self-funded MEWA trusts than what is reimbursed by the entities. Self-funded MEWA trusts would not pay these assessments or assessments for the Life and Health Insurance Guaranty Association.

The Insurance Fund assessments begin with the total amount of revenue needed and divide responsibility for that total amount amongst insurers, HMOs, and, in the case of the Health and Welfare Fee, third-party administrators and exempt insurers on behalf of the self-funded plans they administer.