OFFICE OF FISCAL ANALYSIS

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SB-372
AN ACT CONCERNING PAYMENTS BY INSURANCE COMPANIES FOR DEPOSIT INTO THE INSURANCE FUND.
AMENDMENT

LCO No.: 4731
File Copy No.: 570
Senate Calendar No.: 347

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 $	FY 26 $
Connecticut Health Insurance Exchange	EF - Potential Revenue Loss	Significant	Significant
Connecticut Health Insurance Exchange	EF - Cost	Potential	Potential

Note: EF=Enterprise Fund

Municipal Impact: None

Explanation

The amendment requires the Connecticut Health Insurance Exchange ("the exchange"), a quasi-public state agency, to receive legislative approval prior to: (1) charging any assessment, changing that assessment in any way, or instituting a new revenue stream, and (2) entering into nondisclosure or settlement agreements. This results in a potential significant revenue loss, and potential costs, to the exchange beginning in FY 25 to the extent legislative approval is withheld.[1] If such withholding occurs regarding revenues, the exchange would be unable to charge assessments or fees, and it is unclear how the exchange would

[1] If legislative approval is not provided within 60 days, the submittal is deemed rejected.

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continue operations.

The amendment may result in a revenue loss to the exchange that is potentially significant beginning in FY 25, to the extent that the Insurance and Real Estate Committee fails to approve any proposed assessment to fund most of the exchange's operations after October 1, 2024.[2] The exchange's operations are almost entirely funded by a marketplace assessment, which is currently charged at a rate of 1.85% on health and dental insurance premiums in the fully insured individual and small group markets.[3] Assessment revenues totaled approximately $31.4 million for FY 23.

The exchange typically charges its assessment on a calendar year basis on approximately January 1st, so the FY 25 potential revenue loss could total up to half of the assessment revenue it otherwise would have collected. The potential revenue loss in FY 26 and subsequent years will be up to the total amount of assessments or user fees the exchange otherwise would have collected that year.

The exchange routinely enters into nondisclosure agreements (NDAs) with potential vendors in order to disclose sensitive information (e.g., an information technology vendor may require one to discuss the security components of their IT offerings). To the extent a lack of legislative approval after October 1, 2024 either delays or prevents the exchange from entering into lower cost or necessary vendor contracts, the NDA provision could result in a cost to the exchange from its own resources beginning in FY 25.

[2] The amendment also requires the exchange to hold a public meeting to receive public comment on the exchange's proposed assessment, fee, increase, method or change in method.

[3] Shared services are partially supported by the Department of Social Services.