



## State of Connecticut

### OFFICE OF THE SPEAKER

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#### **Testimony of Speaker of the House Christopher G. Donovan To the Insurance and Real Estate, Human Services and Public Health Committees**

In support of:

**HB 6308**, *AA Establishing the Connecticut Healthcare Partnership;*

**HB 6323**, *AA Making Conforming Changes to the Insurance Statutes Pursuant to the Federal Patient Protection and Affordable Care Act;*

**HB 6305**, *AAC Implementation of the Sustinet Plan;* and

**HB 6322**, *AAC State Prescription Drug Purchasing*

**February 14, 2011**

Good morning Representative Megna, Senator Crisco, Representative Tercyak, Senator Musto, Representative Ritter, Senator Stillman, and members of the Insurance and Real Estate, Human Services and Public Health Committees. Thank you all for coming together today for this joint hearing on several significant healthcare proposals.

#### **HB 6308, AA Establishing the Connecticut Healthcare Partnership**

I appreciate the opportunity to express my strong support for House Bill 6308, *An Act Establishing the Connecticut Healthcare Partnership*. Many of you are familiar with this commonsense measure designed to streamline existing state and municipal government purchasing of healthcare and provide small businesses and nonprofits with more affordable options.

HB 6308 would permit municipalities, non-profits and small businesses to purchase employee health insurance through the state employee plan. This proposal would provide relief from the unpredictable rate hikes these employers experience from year to year by giving them access to the stability of the large state pool. In the world of municipal and small group health insurance, it is not uncommon to see annual increases topping 20%--making it nearly impossible to budget for healthcare costs. Meanwhile, the state employee plan has seen single-digit increases for the last several years. By aggressively managing costs, the state's Healthcare Cost Containment Committee (a group made up of representatives of management and labor), has succeeded in bending the cost curve through measures that better manage care under a self-insured plan, saving the state tens of millions of dollars.

Last year, PA 10-131, which permitted municipalities to purchase prescription coverage through the state plan, passed the House unanimously and received bipartisan support in the Senate. Several municipalities are looking to this proposal to help them balance their budgets. For example, the City of Hartford expects to save \$1.8 million in annual employee prescription costs by coming into the pool. The addition of Hartford employees to the state's plan would also result in a savings of \$6 million per year on the part of the state. As the pool grows, so will the savings.

If the financial challenges of the last few years have taught us anything, it is that healthcare is an economic issue—for municipalities and for businesses large and small. Access to affordable healthcare can mean hiring an employee, choosing to become an entrepreneur, or being able to retain experienced employees and provide quality services.

***HB 6323, AA Making Conforming Changes to the Insurance Statutes Pursuant to the Federal Patient Protection and Affordable Care Act***

I am proud that our state is already taking advantage of new opportunities under federal health reform, including millions of much-needed healthcare dollars for Medicaid and retiree health insurance. This bill updates Connecticut’s insurance statutes to reflect several consumer protections contained in the federal law that have already gone into effect, including an expansion of coverage for dependents through age 26, prohibitions on pre-existing conditions for kids and unreasonable lifetime coverage limits. Once these statutory changes are made, the state Insurance Department will be able to take action against insurance companies that do not abide by the new federal law.

This bill also establishes Connecticut’s health insurance exchange. As you know, the individual and small group insurance markets suffer with high administrative costs and low value for their premium dollars. The health insurance exchange will better organize the health insurance marketplace to help individuals and small businesses access more options, easily compare plans, and use economies of scale to secure competitive rates for quality insurance.

This bill works to implement the strongest exchange possible—one that is sustainable, consumer-friendly, facilitates both individuals and small employers in the purchase of quality health insurance, and provides a transparent marketplace where competition is on the basis of price, quality and service rather than risk selection. Under the federal law, states have a great deal of flexibility in developing their exchanges. HB 6323 enables Connecticut’s exchange to be an “active purchaser,” operating as larger employers often do to leverage their purchasing power and negotiate product offerings to meet the needs of consumers. In addition, this proposal includes small businesses in the exchange from the start and makes it easier for them to administer their health insurance plans by collecting and paying premiums on their behalves. Finally, this bill requires the exchange to continually evaluate whether it is experiencing adverse selection, which could impede its sustainability.

***HB 6305, AAC Implementation of the Sustinet Plan***

This bill reflects the recommendations of the Sustinet Board of Directors, which were issued earlier this year pursuant to PA 09-148. I want to commend the 200-plus volunteer professionals who applied their expertise on various committees and task forces to create an implementation plan for Sustinet. These professionals included practitioners of primary care and nursing; representatives of labor, health information technology, and the actuarial sciences; employee health benefit providers; health economists; and advocates for health equity. The recommendations contained in this bill include:

- Implementing delivery system and payment reforms to move toward a more coordinated, patient-centered, evidenced-based approach to healthcare that improves quality and slows cost growth.
- Integrating these improvements first over publicly-administered health plans, including state employees and retirees, Medicaid and HUSKY beneficiaries to bring savings to taxpayers.
- Leveraging the power of existing state programs and federal dollars to provide a new health insurance choice for municipalities, private employers and households.

Like both proposals described above, Sustinet builds on the strength of healthcare pooling to increase purchasing power, lower costs and expand access to people of all health histories. It will maximize the potential of federal reform, spend state healthcare dollars more efficiently, improve quality, and offer employees and families a new health insurance choice that reforms healthcare delivery and slows cost growth throughout the entire insurance market. According to Dr. Jonathan Gruber, of the MIT Department of Economics, these measures will save Connecticut taxpayers between \$226 million and \$277 million annually, beginning in 2014. If Sustinet's system and payment reforms succeed in slowing cost growth even 1% per year, the state budget will improve by \$355 million in 2014, with gains reaching more than \$500 million a year starting in 2019. This proposal will help Connecticut families and our state budget.

**HB 6322, AAC State Prescription Drug Purchasing**

This bill is another great example of using the size of the state employee pool to leverage greater discounts for other healthcare purchasers. HB 6322 would enable the Comptroller's Office to amend its existing prescription drug purchasing contract to include the Medicaid, Husky, ConnPACE and Charter Oak programs. The Comptroller's office estimates that by implementing this innovative streamlining measure, the state will save \$66.5 million annually—without harming prescription coverage for some of the state's most vulnerable residents.

**I urge the committees to support these important proposals.**