

TESTIMONY to the Committee on Insurance and Real Estate

January 31, 2013

Re: SB-596, An Act Concerning the Duties of the Connecticut Health Insurance Exchange

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Executive Director

Thank you for the opportunity to share our support for SB 596 and to thank the committee for raising this important bill.

We at the CT Health Policy Project have long worked to improve access to health care for every Connecticut resident. As a consumer advocacy organization, we get calls every day on our helpline from uninsured consumers desperately seeking health coverage. In the vast majority of cases, the barrier to coverage is financial. Health insurance in Connecticut is not affordable.

The federal Affordable Care Act gives Connecticut a historic opportunity to make coverage affordable for uninsured state residents through funding and support of the CT Health Insurance Exchange. Exchanges are user-friendly, fair, and transparent marketplaces where consumers and small businesses can buy affordable, decent coverage. At least 250,000 state residents are expected to purchase coverage in the Exchange, more than any private company or the state employee plan.

The best available tool for affordability is negotiating premiums with insurers on behalf of customers. Ninety percent of large employers use competitive bidding to select health plans for their employees and small businesses pay 18% more than larger ones because they don't have negotiating power. There are two state exchanges currently operating. Massachusetts' Connector has kept premiums lower inside their exchange than outside using negotiation. An official there described their success – "We have the same tools any large employer has." Utah, in contrast, does not negotiate premiums in their exchange, allowing any insurer that meets minimal standards to participate. Premiums inside Utah's exchange are higher than those outside.

Unfortunately, Connecticut's Exchange has decided to pursue the Utah model and not to actively negotiate premiums with insurers, claiming that insurers might find it "too adversarial". This concern, that plans will not participate, is unfounded. California's exchange has clear plans to negotiate rates with insurers and has attracted letters of intent from thirty insurers. Large employers seeking competitive health benefit bids, have no difficulty attracting plans.

Right now, health plans are drafting their bids, including premiums and consumer costs, knowing that the state intends to take all bidders (that meet minimal federal standards), that they will not check the product (the Exchange has also voted not to check provider panels with secret shopper surveys), and they will not negotiate on price. No one should be surprised that premiums will not be affordable.

Without negotiation, it is unclear what value Connecticut's Exchange provides beyond current insurance websites. I urge you to pass SB 596 to improve affordable health insurance options for Connecticut's uninsured. Thank you for your time and your commitment to improving the welfare of every Connecticut resident.