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Leaders of Insurance Committee Stand in Support of Bipartisan Bill to Reduce Health Care Costs

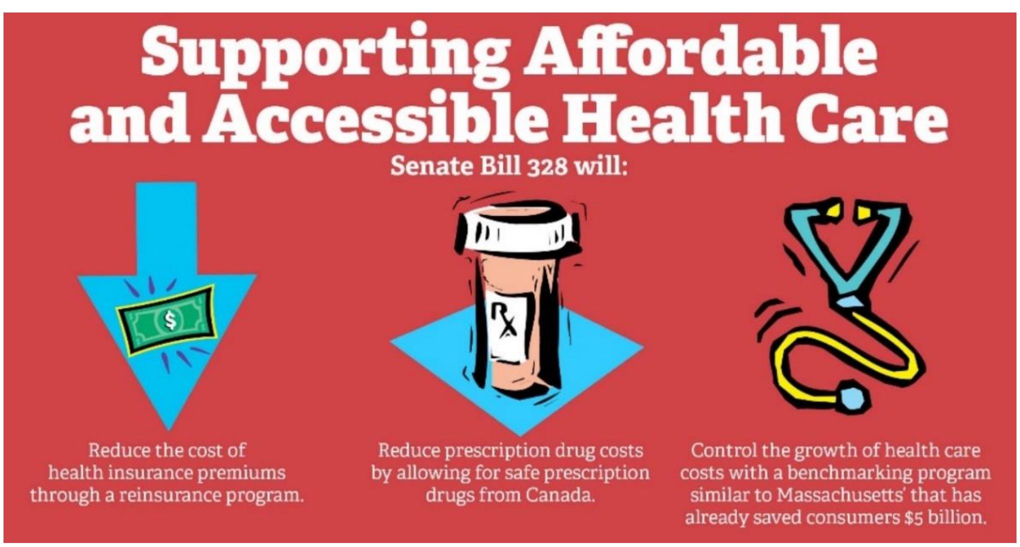
Senate Bill 328 Reduces Health Insurance Premiums, Reduces Prescription Drug Prices, and Controls Health Care Cost Growth through Benchmarking

HARTFORD – Today **Senator Kevin Kelly (R-Stratford)**, ranking member of the Insurance Committee, was joined by co-chairs of the Insurance Committee, **Senator Matt Lesser (D-Middletown)** and **Representative Sean Scanlon (D-Guilford)** and fellow ranking member **Representative Cara Pavalock-D'Amato (R-Bristol)** standing in bipartisan support of a bill to make health care in Connecticut more affordable and accessible.

Senate Bill 328 would implement a three-step approach to increase affordability and access to health care:
1) Reduce the cost of insurance premiums through a reinsurance program with no assessment on premiums.
2) Reduce prescription drug costs by establishing a drug importation program.
3) Control the growth of health care costs through a benchmarking program.

"The three elements of this bipartisan bill outline a comprehensive approach to reduce consumer premiums and control skyrocketing medical costs in future years," said **Senator Kevin Kelly (R-Stratford).** "Connecticut residents need relief when it comes to unaffordable health care. This bill shows a clear path forward to address the issue from multiple fronts. I appreciate the efforts of my colleagues on both sides of the aisle including the Democrat co-chairs of the Insurance Committee, the Office of Health Strategy, the governor's office and many advocates who have worked together to develop and raise this bipartisan bill and urge continued support for these efforts."

Attached are further details on the three components of Senate Bill 328.



Reinsurance

Senate Bill 328 would implement a reinsurance program to reduce health care premiums. Access Health CT has estimated that this program would reduce health insurance premium costs from 5% - 20%, depending on the level of state investment. The program would be funded through existing resources within the state budget, **not a new tax or assessment on premiums**. Any new tax on premiums or insurers would only get passed on to consumers and increase costs instead of drive them down. The 2019 Wakely report from Access Health CT specifically found that premium reduction would be tied to a state funded reinsurance program. A 2020 draft Wakely report shared with lawmakers yesterday confirms that a reinsurance plan that does not rely on any assessment on premiums yields the greatest premium reduction. The 2020 report shows that a $19.5 million state investment with no assessment on premiums will garner the greatest percentage of federal funds (62.7%-64.3%) and lead to a 6.1 % -7.2 % reduction in premiums for all plans. Under the bill, the reinsurance program would be established with the 1332 waiver established under the Affordable Care Act.

Health care reinsurance works by helping to defray high cost claims that may be incurred by insurance companies. Reinsurance guarantees to insurance companies that if their costs of paying for a healthcare claim exceed a certain amount, they will receive assistance in paying for that claim.
When the Affordable Care Act was established, so was a temporary federal reinsurance program to help keep premiums down. That federal program, as scheduled, ended in 2016 leaving the insurance market unstable and resulting in premiums skyrocketing. However, the Affordable Care Act did provide an opportunity for states to establish their own programs to decrease healthcare costs via the 1332 State Innovation Waiver program.

The 2019 Wakely report estimated that state funding of $19.2 million to $21.2 million would result in a 5% premium reduction, $38.6 million to $42.5 million would result in 10% premium reduction, and $77.7 million to $85.5 million would result in a 20% premium reduction. The 2020 Wakely report shows that a $19.5 million state investment under a plan that contains no assessment on premiums will result in federal funding totaling 62.7%-64.3% of the total program funding and lead to a decrease in premiums of 6.1% - 7.2%. The 2020 Wakely report also shows that reinsurance plans that contain assessments on premiums do not yield the same significant premium reductions.

Prescription Drug Importation

Senate Bill 328 would also establish a prescription drug importation program in CT, administered by the Department of Consumer Protection, which will allow for the importation of safe and lower cost prescription drugs from Canada pending federal approval.

In February 2019, the Trump Administration indicated that they would be pursing actions that would allow for the importation of drugs from Canada. In July 2019, guidance was given by the Department of Health and Human Services in which two pathways were laid out regarding drug importation.

Under one pathway, states, wholesalers, or pharmacists could submit plans for demonstration projects for HHS to review outlining how they would import Health-Canada approved drugs that are in compliance with section 505 of the Federal Drug and Cosmetic Act. This bill establishes how this would work on the state level here in Connecticut.

Under the proposed bill, DCP would be authorized to submit a plan to HHS for approval. If approved, the legislature would need to vote on the plan prior to the program beginning. While many of the technical details of the plan would be left to DCP and DPH, the legislation lays out parameters.

To ensure public safety, the proposed legislation would require laboratory testing of a statistically valid sample size for each batch of each drug imported by wholesalers. Wholesalers would also need to provide information to DCP concerning:

- The original source of such drug, including, but not limited to
- The name of the manufacturer of such drug
- The date on which such drug was manufactured
- The location where such drug was manufactured
- The date on which such drug was shipped
- The quantity of such drug that was shipped

While many drugs could be imported, there are several categories of drugs that could not be including:

- A controlled substance,
- A biological product,
- An infused drug;
- An intravenously injected drug;
- A drug that is inhaled during surgery; or
- A drug that is a parenteral drug, the importation of which is determined by the federal Secretary of Health and Human Services to pose a threat to the public health.

The proposed legislation would additionally empower DCP to suspend importation and distribution of a drug if the Commissioner of Consumer Protection discovers that such distribution or importation violates any applicable state or federal law. It would also allow DCP to recall or seize any drug that was imported and distributed under the program and has been identified as adulterated, or misbranded.

Health Care Cost Benchmarking

Senate Bill 328 would implement health care cost growth benchmarking similar to the program that has successfully kept health care expenses from growing out of control in Massachusetts. Under Governor Charlie Baker's cost containment policies, spending on private health insurance in Massachusetts has been consistently lower than the national rate. Benchmarking in Massachusetts is estimated to have saved consumers over $5 billion since 2013.

Connecticut would implement cost benchmarking by setting a target for controlling the growth of total health care expenditures across the state. Once that benchmark is established, the state would collect data to measure cost growth against the benchmark, publish public reports to identify cost drivers, and utilize governmental tools to boost transparency and contain spending. If the target is not met, the state can require health care entities to implement improvement plans and be subject to further monitoring by the state.

Benchmarking is a major tool to enhance the transparency of the state’s health care system and identify health care cost drivers and contain cost growth. Benchmarking would increase transparency by requiring health care entities to report cost information to the state. If a certain health care provider is struggling to meet a benchmark, state officials could work with the provider to consider and evaluate other strategies to help them contain costs. The goal is to gather the information needed so the state can work with all stakeholders and providers to take action and produce better health care at a lower cost for all people.

The governor's Executive Order No. 5 contains a framework to get a head start on this program. Legislation is still needed to fully implement.

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