

A BETTER WAY TO A HEALTHY CONNECTICUT

AFFORDABLE HEALTH CARE

FEBRUARY, 2022



Kevin Kelly
Senate Republican Leader

Paul Formica
Senate Republican Leader Pro Tempore

EVERY PERSON DESERVES QUALITY, AFFORDABLE HEALTH CARE

For working and middle class Connecticut families, health insurance is anything but affordable. Cost growth is out of control and premiums are often the size of a monthly mortgage payment.

Those lofty bills weigh down family budgets and eat into savings, leaving Connecticut's middle class struggling to make ends meet.

Connecticut Senate Republican leaders are working to ease burdens on middle class families, and are offering thoughtful, comprehensive solutions to this unaffordability problem. Democratic Party proposals for a public option would disrupt the current health care system and replace it with a government run system. This proposal works to fix the current system, so you can keep your insurance, keep your doctor, and still get savings.

This proposal will:

- reduce health insurance premiums by up to 30%.
- reduce healthcare cost growth through benchmarking.
- tackle unfair practices that drive up the costs of prescription drugs.
- increase transparency and data sharing to drive down costs.
- implement audits of the “Cadillac” health plans offered by the state, which are back-stopped by the Connecticut taxpayer to ensure transparency and accountability.

Unlike Democrats' proposals, this plan does NOT tax middle class families and does NOT threaten the tens of thousands of quality private-sector insurance jobs in our state.

These solutions will make Connecticut more affordable for middle class families and increase access to health care, while supporting good-paying jobs. It is a better way, a common sense, pro-family, pro-jobs, and pro-middle class path.



CONTENTS:

1) LOWER THE COST OF HEALTH INSURANCE

Implement a **reinsurance** program to defray high cost claims, leverage federal dollars, and bring down the cost of health insurance premiums for all individuals with private insurance.

2) REDUCE GROWTH OF HEALTH CARE COSTS

Implement health care cost growth **benchmarking** to increase transparency and address health care cost growth.

3) PRESCRIPTION DRUG AFFORDABILITY

Address anti-consumer practices that drive up the prices of prescription drugs.

4) PURCHASING POOLS TO DRIVE DOWN COSTS

Maximize state purchasing pools for prescription drugs and health care supplies to leverage public buying power to reduce costs.

5) TRANSPARENCY

Enhance data sharing and access, and require audits of the "Cadillac" health plans offered by the state, which are back-stopped by the Connecticut taxpayer.

6) PROTECT JOBS

Connecticut's insurance jobs are vital to our economy. We are known as the "Insurance Capital of the World," and we want Connecticut to stay that way.

MAINTAIN PROTECTIONS GUARANTEED UNDER THE AFFORDABLE CARE ACT

Something the "public option" fails to do.



REDUCE HEALTH INSURANCE COSTS WITH REINSURANCE

WHAT IS REINSURANCE?

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 reinsurance program, as scheduled, ended in 2016 leaving the insurance market unstable and resulting in skyrocketing premiums. 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.

REDUCING HEALTH CARE COSTS IN CONNECTICUT

This plan implements a state based reinsurance program to reduce health care premiums. Access Health CT's 2020 Wakely Report and Reinsurance Analysis estimated that this program will reduce health insurance premium costs from 6% - 29.5%, 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 insurance premiums. Any new tax on premiums or insurers only gets passed on to consumers and increases the cost of insurance instead of reducing it.

The Wakely report confirms that a reinsurance plan that does not rely on any assessment on premiums yields the greatest premium reduction. The report shows that a \$80.8 million state investment with no assessment on premiums will garner the greatest percentage of federal funds (62.4%-64.9%) and lead to a 25.1% - 29.5% reduction in premiums for all plans. The Wakely report also shows that assessments placed on insurance premiums yield a lower percentage of federal funding and did not reduce premiums as much as when no assessment was levied. This means proposals to pay for a reinsurance program with a tax on insurance will not yield the greatest savings for CT residents.

While federal COVID-19 relief funds were used by the federal government to provide premium relief in the short term, there is no long term plan to sustain this relief. Reinsurance is a long term plan to provide relief for years to come.



AVERAGE PREMIUM COSTS

CT's average insurance premium for family coverage is

\$21,952

(KFF, 2020)

Nearly the same cost as a brand new Honda Civic.



STARTING MSRP \$22,350

ESTIMATED PREMIUM REDUCTION

Under this plan, a state investment of \$80.8 million is estimated to result in premium reduction of 25.1% - 29.5%

**That's an average savings of
\$6,475 per year,
or \$540 per month.**

REDUCE GROWING COSTS OF HEALTH CARE: BENCHMARKING

What is Benchmarking?

Benchmarking represents a shared goal that total health care spending by all payers in a state will not grow faster than the state's economy.

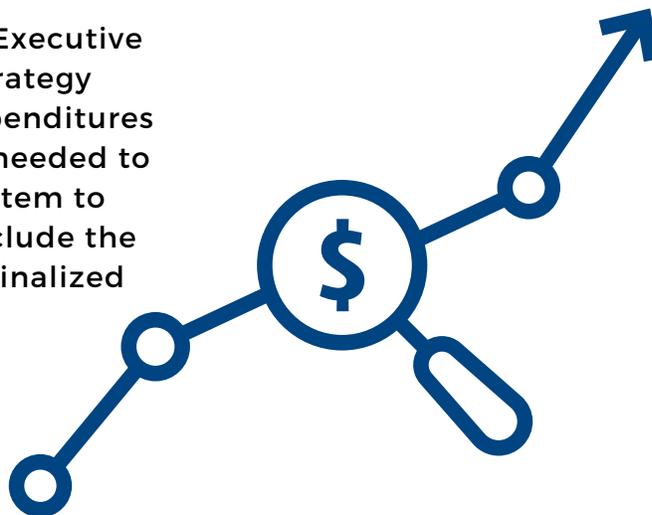
The core goal of benchmarking is to gather information needed so that the state can work with all stakeholders and providers to take action and produce better health care at a lower cost for all people.

In 2012, Massachusetts established its health care cost growth benchmark, a statewide target for the rate of growth of total health care expenditures. The benchmarking policy was designed to enhance the transparency of the state's health care system and identify health care cost drivers. Enhanced transparency, plus the joint efforts of stakeholders to root out issues and drive down costs, led to early successes in keeping costs consistently lower than national growth rates.

Connecticut must learn from Massachusetts' successes and also their areas needing improvement. Massachusetts' initial implementation of benchmarking saved consumers over \$5 billion between 2013 and 2016. In recent years, Massachusetts' annual growth rate has exceeded the state benchmark, which demands deeper analysis so that Connecticut can learn from the Massachusetts experience and develop our own process to achieve maximum savings and rein in health care cost growth.

Advancing Connecticut's Efforts

Connecticut began its journey toward benchmarking in January of 2020 when Executive Order #5 charged the Office of Health Strategy (OHS) to benchmark total healthcare expenditures growth in the state. Much more work is needed to ensure maximum effectiveness of the system to reduce growing health care costs and include the voices of all stakeholders including marginalized and complex care patients.





A VISION FOR SUCCESSFUL BENCHMARKING

Connecticut must implement health care cost benchmarking by setting a target for controlling the growth of total health care expenditures across the state by collaborating with stakeholders. Under this plan's vision, the makeup of this program will be sensitive to and protect complex care patients. Once that benchmark is established, the state will collect data to measure cost growth against the benchmark, publish public reports to identify cost drivers, and utilize government 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 will also increase transparency by requiring health care entities to report cost information to the state.

Savings achieved through benchmarking will be invested back in to health care by funding programs, such as reinsurance, to further reduce health care costs into the future.

This proposal includes the following actions to advance this vision:

- **Codify the state's benchmarking efforts in state statute** to ensure a long term commitment and vision. Legislation is needed to not only codify these efforts, but also is needed to protect sensitive proprietary data.
- **Ensure data collection and access.** Connecticut has taken many steps to better collect and share data. We must continue to enhance the state's aggregation of data and interface to provide the public with access to data that is easy to review and updated in real time. We must be focused on data driven solutions and more timely data that tracks affordability, sustainability, and equity.
- **Include all voices.** It is vital that the voices of marginalized groups are included in developing and executing this benchmarking plan so that complex care patients will not get lost in the process.
- **Establish clear action plans** to address any situation in which a benchmark target is not met and hold stakeholders accountable to their commitments to control cost growth.

PRESCRIPTION DRUG AFFORDABILITY

EXAMINE SPREAD PRICING BY PHARMACY BENEFIT MANAGERS (PBMS)

Pharmacy Benefit Managers (PBMs) function as middlemen for the distribution of prescription drugs in addition to managing pharmaceutical benefits for Medicare and Medicaid. Over the last five years, there has been growing concern regarding the industry's business practices of PBMs regarding:

1. Spreading pricing arrangements
2. Manufacturing rebates
3. Transparency and accountability

This plan recommends examining the practice of spread pricing, which is when PBMs' payments to pharmacies are less than what the payer remits to PBMs, often without the payer being aware of the arrangement. PBMs retain the difference in pricing (the spread). When a PBM claims a higher reimbursement from a health plan than it reimburses a pharmacy for dispensing a drug, the PBM extracts unnecessary payments from payees – taxpayers and patients.

Connecticut has been a leader in banning “gag clauses” in PBM contracts that prevent pharmacists from sharing price information with their patients, especially as it relates to lower cost options. We also banned “claw back” provisions which result in consumers paying more than a prescription actually costs. We must now turn our attention to spread pricing.



ADDRESS PBM ANTI-CONSUMER POLICIES

Several states have taken measures against spread pricing and the practice has been the subject of bipartisan hearings in Congress.

This proposal recommends that Connecticut also take action to protect consumers from a practice that leads to more expensive prescription drugs.

In addition, Connecticut must:

- Examine **manufacturing rebates** and how those cost savings can be passed to patients and/or payees.
- Require **increased industry transparency and accountability**. PBMs must be required to provide as much information on drug pricing, rebates, and other information needed to ensure consumers are being treated fairly.

At the federal level, there is no requirement for rebates to be legally passed to clients directly at the point-of-purchase or indirectly through lower premiums. Therefore, this is an area that Connecticut must examine to reduce prescription drug costs and remove barriers to health care.

In 2018, the State of Kentucky conducted an audit and found that PBMs made more than **\$123 million** in spread pricing.

Ohio conducted an audit and determined that PBMs generated more than **\$225 million** through spread pricing in 2020.

The largest three PBMs – Express Scripts, CVS Caremark and OptumRx – represent over **70%** of Medicaid membership and more than **85%** of the private sector membership.

FURTHER ENHANCE STATE PURCHASING POOLS TO DRIVE DOWN COSTS

State purchasing pools for prescription drugs and health care supplies can leverage public buying power to reduce drug and supply costs.

This proposal recommends examining whether current pool purchasing arrangements with other states are resulting in the most cost savings in Connecticut and examining what other pool purchasing relationships must be explored to drive down costs not only in Medicaid but in the private sector as well. This proposal recommends a fresh look at these arrangements by the Public Health Committee, Department of Public Health, and State Comptroller.

By working together, states can use negotiating power to drive down the costs of drugs for state employees, and also give the private sector an opportunity to participate and benefit from the negotiated costs and supplies including items such as personal protective equipment (PPE).

The savings achieved on the state level can be reinvested into policies that further drive down the costs of health care and remove barriers to health care access.





TRANSPARENCY

In addition to increasing transparency through benchmarking and related data collection and access, Connecticut must also closely examine current health plans and ensure transparency comes with accountability.

Therefore, this plan requires audits of the “Cadillac” health plans offered by the state, which are back-stopped by the Connecticut taxpayer.

The goal is to protect working and middle class families and increase government transparency.

PROTECT GOOD PAYING JOBS

This plan focuses on a core issue in our state: the affordability and accessibility of quality health care. At the same time, we understand how important our insurance industry is to our economy. Connecticut is known as the "Insurance Capital of the World," and we want Connecticut to stay that way.

By contrast, Connecticut Democrats are pushing a national partisan concept, which fails to reduce healthcare costs while putting the state of Connecticut in direct competition with some of our biggest job creators: the insurance industry.

We cannot put jobs in jeopardy at a time when our state is already dead last in the nation on jobs and income growth. We must seek ways to reverse this troubling trend, not make it worse.

48,500 PEOPLE

Are employed by CT's insurance industry.

\$15.5 BILLION

In direct and indirect economic activity is generated by CT's insurance industry.

