



# A Better Way to **Affordable Health Care**

February 2023



# WE MUST MAKE HEALTH CARE AFFORDABLE

Affordability is a crisis in our state. Crushing health insurance rate increases and skyrocketing out-of-pocket health care costs only add to that. In addition, the system by which health care services and prescription drugs are delivered to patients is convoluted and does not benefit the individual consumer. Health care is not affordable in Connecticut, but there is a better way.

Connecticut Republicans have long advocated for real, substantive reforms and solutions to make quality health care more affordable and accessible to all families. Year after year, we continue to propose policies to achieve these shared goals. If we work together and stay focused we can implement long-term solutions. We must identify what has failed our state, those in power must stop blocking commonsense solutions, and together we must push for real action.

Over a decade ago, the Affordable Care Act promised to deliver quality health care at a reduced cost. Since then, health care costs have skyrocketed and health insurance has only become more unaffordable. In response, some lawmakers have pushed for "public option" government-run health plans – even as the state's Partnership Plan 2.0 is on the brink of insolvency. The failures of both the state and federal governments to make sustainable progress in the health care arena must now serve as a wakeup call to Connecticut to pursue bipartisan, commonsense solutions that make high-quality health care more affordable for everyone.

Senate Republicans have proposed policies that will:

1. Reduce health insurance premiums by up to 30%;
2. Make quality health insurance more accessible to small businesses and employees;
3. Reduce the cost of prescription drugs;
4. Increase transparency and data sharing to drive down costs.

This plan does **NOT** tax working or 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 working and 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.

# A BETTER WAY TO...

## REDUCING COSTS

- Ensure the implementation of health care cost growth benchmarking fully takes into account **ALL** cost drivers, including pharmaceutical and hospital costs.
- Maximize state purchasing pools for prescription drugs to leverage public buying power.
- Address anti-consumer practices, restrictive formulary designs, and monopolistic corporate ownership structures of pharmacy benefit managers (PBMs), ensuring that **YOU**, the patient, comes first.
- Make hospital billing practices transparent and accurately reflect the site at which the health care service was provided.

## MORE AFFORDABLE PREMIUMS

- Implement a reinsurance program to defray high cost claims, leverage federal dollars, and bring down the cost of health insurance premiums for individuals and families with private insurance, with an average household savings of **more than \$7,000 per year**.
- Eliminate a tax on health insurance policies, allowing savings to be passed on to you, the consumer.
- Allow small businesses to join each other in associations to purchase group health plans together, utilizing the enhanced economy of scale to negotiate significantly lower rates.

## PRESERVE CARE QUALITY & JOBS

- When implementing cost-growth benchmarking, ensure the needs of complex care patients, including those with disabilities, are met.
- Connecticut's insurance jobs are vital to our economy. As the "Insurance Capital of the World," we must not only retain what we have, but also promote growth of high-paying, innovative insurance technology jobs.

## PROTECT TAXPAYER DOLLARS

- Require audits of the "Cadillac" health plans offered to state and municipal employees and guaranteed by Connecticut's taxpayers.
- Promote accountability and transparency into the government agency tasked with overseeing health care cost-growth benchmarking.

# REDUCING COSTS: CONTAINING THE COST OF CARE

## FULLY IMPLEMENT ROBUST BENCHMARKING

In 2022, the General Assembly codified health care cost-growth benchmarking, a policy long-advocated for by Senate Republicans. Benchmarking works by collecting and delivering a tremendous amount of data to policymakers around the drivers of increasing costs and puts downward pressure on those costs through transparency and accountability by market participants.

We learned from Massachusetts the benefits of benchmarking, but, because benchmarking is relatively new to us here in Connecticut, wrinkles must be ironed out and any oversights must be corrected, including any failures to capture the full scope of hospital costs as well as pricing data on drugs. We propose an immediate summit of ALL stakeholders, to ensure this critical program is working as intended to provide relief to our residents.



# REDUCING COSTS: PRESCRIPTION AFFORDABILITY

## MULTI-STATE PURCHASING POOLS

More than 20% of Connecticut's residents report skipping doses of needed medication or cutting pills in half because of cost. This is tragic and unacceptable.

State purchasing pools for prescription drugs and health care supplies can leverage public buying power to reduce drug and supply costs through enhanced economies of scale. 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 in both Medicaid and in the private sector.

By working together, states can 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. The savings achieved by the state can be reinvested into policies that further drive down the costs of care and remove barriers to health care access.



# REDUCING COSTS: PRESCRIPTION AFFORDABILITY

## ADDRESS ANTI-CONSUMER POLICIES BY PBMS

Connecticut must protect consumers from practices that lead to more expensive prescription drugs.

Pharmacy Benefit Managers (PBMs) function as middlemen for the distribution of prescription drugs in addition to managing pharmaceutical benefits for Medicare and Medicaid. Among federal and state governments, there is growing concern regarding PBM's business practices, including:

- Spread pricing arrangements
- Manufacturing "rebates" that only benefit the PBM
- Transparency and accountability
- Anti-competitive and monopolistic ownership and corporate structures.

This plan recommends establishing a taskforce to examine the practice of spread pricing, which is when PBMs' payments to pharmacies are less than what the payer remits to PBMs, where 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.

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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.
- Study whether the monopolistic nature of PBMs and their vertical integration with insurers and pharmacies negatively impacts consumers, patients, and taxpayers.

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 nearly **80%** of Medicaid membership and more than **85%** of the private sector membership, and are all affiliated with health insurers.

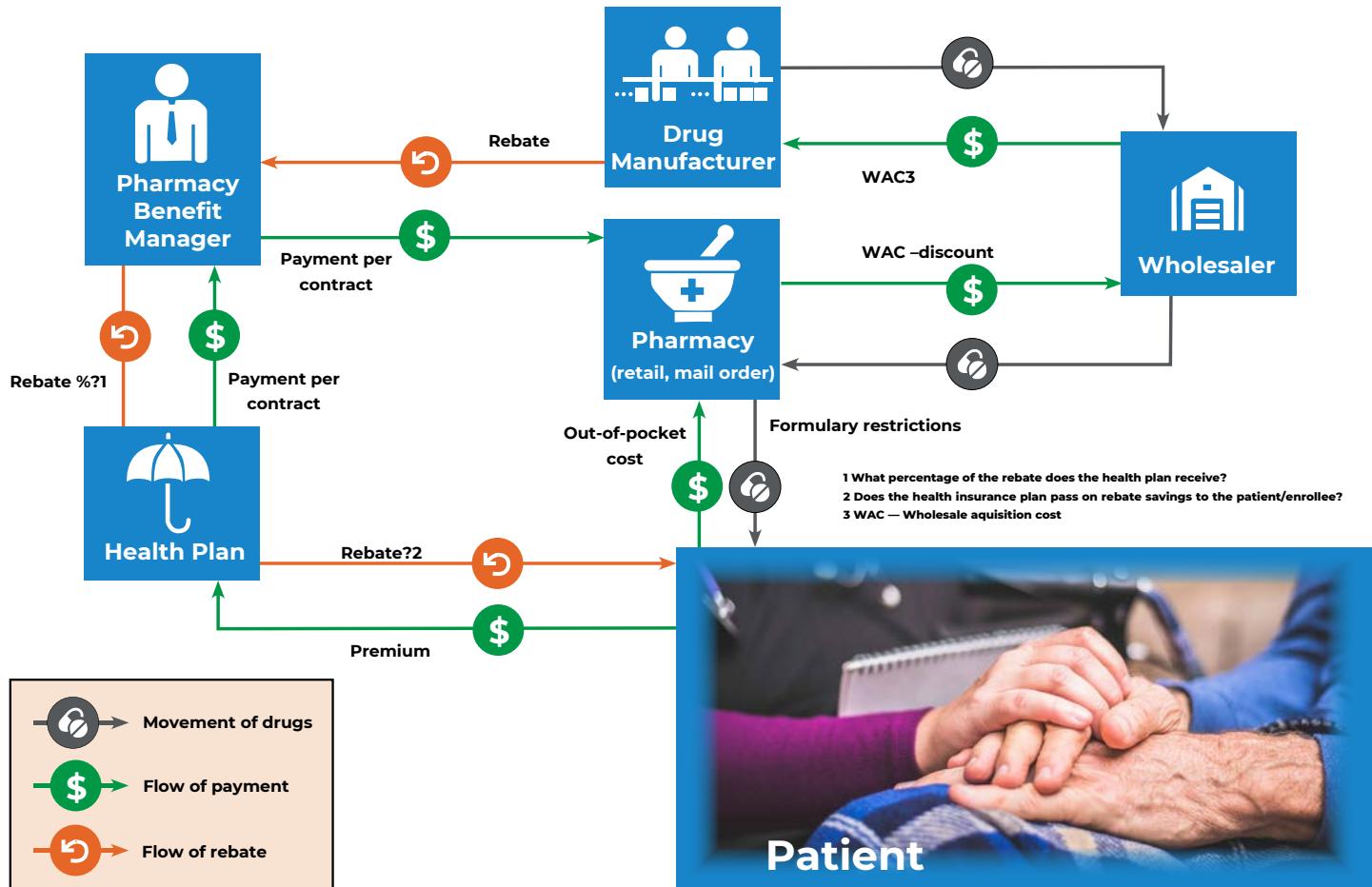
**\$41** of every **\$100** in spending on drugs in retail pharmacies goes to PBMs and other intermediaries.

# REDUCING COSTS: SIMPLIFYING THE RX DRUG MARKET

## MAKING THE MARKET WORK FOR YOU, NOT FOR THEM

As you can see, the prescription drug supply chain is impossibly complicated, with manufacturers, insurance companies, and pharmacy benefit managers entangled in a web of complex transactions that leave consumers confused and often paying more than they should. We must examine whether the current market structure is *working for you*, and not simply working for them. Transparency and consumer choice must be key.

## THE PRESCRIPTION DRUG SUPPLY CHAIN



# **REDUCING COSTS: HOLDING HOSPITALS ACCOUNTABLE**

## **ENSURING ACCURATE BILLING**

With the hospital market consolidating at dizzying speed, the conglomerates left standing are embarking on explosive growth and expansion. Through both new construction and acquisitions of local stand-alone outpatient facilities, the "big three" market participants have a facilities in nearly every community in the state.

While this growth is the hallmark of a free market, we must recognize that the hospital facility is the most expensive place to receive nearly any medical good or service. This proposal calls for honesty in billing, requiring hospitals systems to differentiate services provided on-campus from those provided at outpatient facilities and bill accordingly. By actually realizing the cost savings that outpatient facilities provide, we can drive down reimbursements and, accordingly, your insurance premiums.



# MORE AFFORDABLE PREMIUMS: REINSURANCE AND TAX CUTS

## WHAT IS REINSURANCE?

Health care reinsurance means putting our record state surplus to work by guaranteeing assistance in paying healthcare claims that exceed a certain amount. When the Affordable Care Act was passed, a temporary federal reinsurance program was created to help keep insurance premiums down. While the federal program has sunset, Connecticut has the ability to act on its own through what is known as a State Innovation Waiver to create its own reinsurance program.

## REDUCING PREMIUMS FOR CONNECTICUT'S FAMILIES

Our plan implements a state-based reinsurance program to reduce health insurance premiums. An analysis commissioned by Access Health CT, the state health insurance exchange, estimated that a reinsurance program would reduce premiums from anywhere between 6% and 29.5%, depending on the investment made by the state. The program would be funded through the state budget, not through a new assessment or tax. While taxing insurers may be popular, those costs simply get passed on to consumers and end up increasing the cost of your insurance.

An annual investment of roughly \$80 million—less than a half of one percent of the state budget—will leverage tens of millions in federal matching funds and lead to an average premium reduction of more than 25% across all plans. While the state has used a patchwork of federal COVID-19 relief funds to provide short-term premium relief during the pandemic, Senate Democrats have no long-term plan to sustain this relief. Reinsurance will provide relief for years to come.

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## REDUCING ASSESSMENTS, PASSING ON SAVINGS

Every year, roughly \$32 million is collected from insurance carriers through an assessment to help fund the health insurance exchange. By eliminating this assessment and shifting funding for Access Health CT into the general fund, premiums will be cut, saving the average family of four \$244 annually, and more transparency and openness brought to the budget process.



# AVERAGE PREMIUM COSTS

CT's average insurance premium for family coverage is

**\$24,018**

(KFF, 2021)

**THIRD-HIGHEST** in the NATION  
Costs more than a new 2023 Honda Civic



STARTING MSRP \$23,450

## ESTIMATED PREMIUM REDUCTION WITH REINSURANCE

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 up to  
**\$7,085 per year,**  
**or \$590 per month.**

# MORE AFFORDABLE PREMIUMS: INNOVATIVE PLANS FOR SMALL BUSINESS

## ASSOCIATION HEALTH PLANS

The small group insurance market in this state is **broken**—only four carriers remain active in this market and through lack of participation and a dearth of competition, rates have sharply increased in recent years. Small businesses have been clamoring for a new, creative approach to insuring their employees, but restrictions in our statutes preclude them from thinking outside the box.

By allowing small businesses to group together under the umbrella of a trade association, groups such as the Connecticut Association of REALTORS, the Connecticut Business and Industry Association, the Connecticut Brewers' Guild, or the Credit Union League of Connecticut can pool both resources and risks. These small businesses will be able to create large self-insured health plans for their employees, dramatically reducing costs.

These plans would offer high-quality health insurance subject to the same state and federal rules, regulations, and coverage mandates as fully-insured plans...except at significantly lower cost than is currently available in the small-group market. What's better, this can all be accomplished without any public funds or taxpayer liability.



# PRESERVE CARE QUALITY AND JOBS

## BENCHMARKING MUST NOT NEGATIVELY IMPACT VULNERABLE COMMUNITIES

Last year, Senate Republicans successfully advocated for important patient protections in the health care cost growth benchmarking regime, including requiring the Office of Health Strategy to submit proposed benchmarks and primary care cost growth targets to the Insurance Committee for approval. This gives the public and other interested stakeholders the opportunity to weigh-in every five years as to whether the benchmarks are achieving their goal or should be adjusted. Further, the Office of Health Strategy is required to provide an annual report to the legislature on the state of the benchmarking program, which must include discussion of any adverse or unintended impacts.

These are important first steps, but we can and must do more to ensure that benchmarks - especially the primary care spending targets - won't have the unintended effect of diverting critical funding for vulnerable individuals and those with developmental disabilities, as has happened in other states. We must ensure Connecticut's policy accounts for all residents and preserves and enhances care quality.

We propose requiring the Office of Health Strategy consider and adjust for any unintended effects or impacts of primary care spending targets on funding for those with developmental disabilities when benchmarking. More than simply reviewing the policy, Connecticut must commit to action to address any issues if such arise.

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## PRESERVING AND GROWING HIGH-QUALITY INSURANCE JOBS

While this plan focuses on the affordability and accessibility of quality health care, we must also remember how important the insurance industry is to Connecticut's economy. We are known as the "Insurance Capital of the World," and we want it to stay that way.

This proposal requires the Department of Insurance to promote development of employment opportunities within the insurance industry in Connecticut. Further, this proposal would support Connecticut's Insuretech Initiative by allowing insurers to develop and BETA test innovative products, while working with regulators to ensure consumer protection. Creating high-paying technology jobs to support our insurance industry is the cutting edge and will attract the young workforce Connecticut's economy so desperately needs.

Connecticut's insurance industry employs nearly **50,000** people, generates **\$15.5 billion** in economic activity, pays more than **\$200 million** in state taxes, and provides more than **\$100 million** in funding for public health and welfare initiatives. Working together, we can grow these numbers.



## PROTECT TAXPAYER DOLLARS

## TRANSPARENCY IN PUBLIC PROGRAMS

In addition to increasing transparency through benchmarking and related data collection, Connecticut must also closely examine current health benefits offered to state and municipal employees and ensure that transparency comes with accountability by our state agencies.

- This proposal requires audits of the "Cadillac" health plans offered by the state to its employees and participating municipal employees, which offer gold-plated benefits, the costs of which are guaranteed by the Connecticut taxpayer.
- This proposal also promotes accountability and transparency into the Office of Healthcare Strategy, the government agency tasked with data collection from benchmarking and generally has oversight into the growth of health care costs.

Our goal is to protect working- and middle-class families, while increasing government transparency.

