OFFICE OF FISCAL ANALYSIS

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SB-10
AN ACT CONCERNING HEALTH INSURANCE AND PATIENT PROTECTION.

AMENDMENT

LCO No.: 8927
File Copy No.: 419
Senate Calendar No.: 241

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $	FY 28 $	FY 29 $
Connecticut Health Insurance Exchange	Resources of the Exchange - Revenue Loss	None	None	None	Potential Significant
Insurance Dept.	IF - Cost	None	See Below	See Below	See Below
Department of Revenue Services	GF - Potential Revenue Loss	None	None	See Below	See Below

Note: IF=Insurance Fund; GF=General Fund

Municipal Impact: None

Explanation

The amendment strikes the underlying bill and its associated impacts, resulting in the fiscal impacts as described below.

The amendment authorizes two forms of association health plans that are not permitted under current law: (1) a fully insured multiple employer welfare arrangement (MEWA) that is regulated as part of the large group health insurance market, and (2) a self-funded MEWA that

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administers a health benefit plan that is not insurance.

The amendment results in (1) new costs to the Insurance Department (DOI) associated with regulating the plans beginning in FY 27, (2) a potential revenue loss to the General Fund associated with insurance premiums tax beginning in FY 28, and (3) a potentially significant revenue loss to the Connecticut Health Insurance Exchange ("exchange") beginning in FY 29.

The amendment also creates a task force to study stop loss insurance and report on its findings and recommendations by February 1, 2026, which is not anticipated to result in a fiscal impact.

State Regulation Cost

The total annual costs for state regulation of self-funded MEWAs will depend on the number of such entities that are established; however, the cost per year to DOI is anticipated to be approximately $17,000 each. Due to the effective date of the amendment and time necessary for DOI to adopt licensing regulations, these costs are not anticipated to begin until FY 27.[1]

The estimate reflects the staff time, at both analyst and supervisor hourly rates, anticipated to be required to handle the new volume of work, including time spent: (1) performing quarterly analysis and review, (3) reviewing requests for approvals, and (3) meeting with the companies as needed.

To the extent many such self-funded MEWAs are established, DOI would incur costs by hiring additional staff, resulting in salary and fringe benefit costs to the Insurance Fund. If the number of MEWAs is small, the agency is likely to rely on consultants to supplement staff capacity, resulting in contract costs of approximately $17,000 per entity annually.

The amendment requires DOI to adopt implementing regulations,

[1] Fully insured MEWAs are not anticipated to increase DOI costs.

which has no fiscal impact because the agency has the necessary expertise. The amendment does not specify licensing and filing fees, therefore any revenue gain associated with those activities would result from the regulations.

State Tax and Exchange Revenue Impacts

The amendment may result in a change to the amount of net direct written premiums in the fully insured small group market beginning in FY 28, to the extent small employers currently purchasing that insurance begin participating in the two types of association health plans permitted under the amendment.[2]

Significant uptake of self-funded MEWAs by small employers currently in the fully insured market could reduce the total amount of net direct written premium that is taxed by the state beginning in FY 28, as health plans offered by self-funded MEWAs are not an insurance product.[3]

The insurance premiums tax is levied at a rate of 1.5% on all net direct premiums underwritten. The Department of Revenue Services collected $253 million from the insurance premiums tax in FY 24; it is uncertain how much of that revenue is from policies that could be affected by the amendment.

Significant uptake of either type of MEWA could reduce exchange revenue substantially by reducing the base for its marketplace assessment. The operations of the exchange are almost entirely funded by its marketplace assessments, which are charged at a rate of 1.65% on premiums in the fully insured individual and small group markets.

The exchange marketplace assessment totaled approximately $31.4

[2] Because self-funded MEWAs cannot operate without a license and DOI must adopt licensing regulations, shifts of insurance premiums to self-insured MEWAs are unlikely to occur before the last quarter of FY 26.

[3] Significant uptake of fully insured MEWA benefit plans would shift current spending on insurance premiums in the small group market to the large group market, which is not part of the base for the exchange's assessment.

million for FY 23, with small group premiums accounting for 48% of that revenue (approximately $15.2 million). If there was a 10% reduction in fully insured small group premiums as a result of the amendment, exchange revenue would be anticipated to decrease by approximately $1.5 million. For context, fully insured small group plan enrollment was 84,090 in 2023.[4]

Given that fully insured small group market enrollment has been decreasing in recent years, further enrollment reductions from the amendment could contribute to a smaller, deteriorating risk pool for those small employers remaining in the fully insured small group market.

Insurance Fund Assessments

The amendment does not impact the revenue to be collected by the three assessments that support the Insurance Fund (i.e., the general assessment, the Health and Welfare Fee, and the Public Health Fee), except to the extent that more general assessment revenue is needed to support DOI costs for regulating self-funded MEWAs. The general assessment begins with the total amount of revenue needed and divides responsibility for that total amount amongst insurers and HMOs.

[4] Connecticut Insurance Department, *2024 Consumer Report Card on Health Insurance Carriers*. Individual plan enrollment was 84,090 in 2023.