

# OFFICE OF FISCAL ANALYSIS

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sHB-5378

AN ACT CONCERNING SELF-FUNDED MULTIPLE EMPLOYER WELFARE ARRANGEMENTS AND REQUIRING A STUDY OF THE FEASIBILITY OF ESTABLISHING THE CONNECTICUT OPTION PROGRAM.

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$	FY 29 \$
Policy & Mgmt., Off.	GF - Cost	1 million	None	None
Connecticut Health Insurance Exchange	EF - Revenue Impact	None	None	Potential
Insurance Dept.	IF - Cost	See Below	See Below	See Below
Insurance Dept.	IF - Revenue Gain	See Below	See Below	See Below
Insurance Dept.	GF - Potential Revenue Gain	Minimal	Minimal	Minimal
Department of Revenue Services	GF - Revenue Impact	None	Potential	Potential

Note: EF=Enterprise Fund; IF=Insurance Fund; GF=General Fund

**Municipal Impact:** None

### **Explanation**

The bill authorizes a self-funded multiple employer welfare arrangement (MEWA) trust, once licensed by the Insurance Department (DOI), to administer a health benefit plan that is not insurance but must follow most of the rules for health insurance companies in the state. It also permits associations of small employers purchasing health insurance in the fully insured market to be subject to large group rating rules in certain circumstances.

The bill results in: (1) costs and offsetting revenue to DOI associated with regulating the self-funded MEWA trusts beginning as early as FY

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27, (2) a potential minimal revenue gain to the General Fund from license and filing fees of any new entities formed, (3) a potential revenue impact to the General Fund associated with insurance premiums tax beginning in FY 28, and (4) a potential revenue impact to the Connecticut Health Insurance Exchange (“exchange”) beginning in FY 29.

The bill also requires the Office of Policy Management (OPM) to study the feasibility of establishing the Connecticut Option program and provide a report by January 15, 2027. This results in a one-time cost of \$1 million to OPM in FY 27 for a consultant to conduct the study and provide the report.

### **State Regulation Fiscal Impacts**

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 exceed \$18,000 each.<sup>1</sup> The bill requires that self-funded MEWAs reimburse DOI for costs associated with their financial and market conduct examinations, so costs to DOI under the bill will be mostly offset by Insurance Fund revenue gains to the agency.

Costs related to regulating self-funded MEWA trusts could be incurred beginning in FY 27, as the bill allows them to apply for a license beginning as early as January 1, 2027, and to start offering health benefit plans, once licensed, beginning April 1, 2027. The entities will bear the cost of the contracted services of attorneys, appraisers, independent actuaries, independent certified public accountants, or other professionals required to supplement agency staffing in order to complete their financial examinations and market conduct reviews. They will also be billed for Insurance Department staff time in

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<sup>1</sup>This figure (\$18,000 per trust) reflects the staff time, at both analyst and supervisor hourly rates, anticipated to be required to handle the new volume of work associated with quarterly financial analysis of one such entity. A typical market conduct examination is approximately \$100,000, which would typically be done once every three to five years.

connection with those examinations and reviews.

The bill gives employees covered by self-funded MEWA trusts' health benefit plans access to the Division of Consumer Affairs at DOI, which could result in staff costs to the Insurance Fund, to the extent additional staff are needed to handle the volume of complaints and questions received. One additional Health Unit insurance examiner at a cost of \$147,000 annually (\$79,000 for salary and \$68,000 for fringe benefits) is anticipated to be required if approximately 100,000 people become covered by the trusts.

The bill requires the trusts to pay the same license and filing fees applicable to health insurance companies, which include: (1) the pre-license document filing fee of \$220, (2) the annual license fee of \$200, and (3) the annual report fee of \$50. To the extent self-funded MEWA trusts are formed and apply for licensure, the bill results in a minimal annual revenue gain to the General Fund associated with these fees beginning as early as FY 27. The bill allows DOI to adopt implementing regulations, which has no fiscal impact because the agency has the necessary expertise.

### **State Tax and Exchange Revenue Impacts**

The bill may result in a change to the amount of net direct written premiums in the fully insured market beginning in FY 27, with a potential revenue impact beginning in FY 28, to the extent small employers currently purchasing health insurance instead participate in the new health plans permitted under the bill.<sup>2</sup>

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<sup>2</sup> Significant uptake of self-funded MEWA trust health benefit plans 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 because self-funded MEWA plans are not an insurance product. However, if the risk pool of the small group fully insured market deteriorates, there would be an offsetting effect in which premiums for the remaining enrollees would rise. Enrollment in the small group market has already been declining in recent years, with some small businesses moving to level-funded plans (which are not part of the fully insured market). Self-funded MEWA trusts are required to purchase certain insurance products (i.e., stop-loss, fiduciary liability, and directors' and officers' liability).

The insurance premiums tax is levied at a rate of 1.5% on all net direct premiums underwritten. The Department of Revenue Services collected \$275 million from the insurance premiums tax in FY 25; it is uncertain how much of that revenue is from policies that could be affected by the bill.

Significant uptake of the new health plans by businesses and organizations currently in the fully insured small group market could also impact exchange revenue by changing the base for its marketplace assessment beginning in FY 29. The operations of the exchange are almost entirely funded by its marketplace assessments, which are charged at a rate of 1.85% on health and dental premiums in the fully insured individual and small group markets.

The exchange marketplace assessment totaled approximately \$36.6 million for FY 25, with small group premiums accounting for 43% of that revenue (approximately \$15.8 million annually). For context, fully insured small group plan enrollment was 84,090 in 2023, and 76,047 in 2024.<sup>3</sup>

### **Insurance Fund Assessments**

The bill does not impact the revenue to be collected by the assessments that support the Insurance Fund, except to the extent that more revenue is needed to support DOI costs for regulating self-funded MEWA trusts than what is reimbursed by the entities. Self-funded MEWA trusts would not pay these assessments, premium taxes, or assessments for the Life and Health Insurance Guaranty Association.

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<sup>3</sup> Connecticut Insurance Department, 2024 & 2025 Consumer Report Cards on Health Insurance Carriers.