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Office of the State Comptroller
Government B Appropriations Work Session
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CONTENTS

Appropriations Committee Fringe Benefit Questions for the Office of the State Comptroller

Question 1: The Comptroller indicated that UConn Health and Higher Education has UAL fringe costs ("legacy costs") at least partially subsidized through the General Fund. Please provide details - by entity - about when this started to occur, how much has help has been provided and through what mechanism (block grant support or direct or indirect funding), whether this includes both union and non-union obligations, and anticipated expenditures for FY 2022-23. Where are these subsidies located in the budget?

Response: Higher education subsidies specifically for the UAL (or unfunded liability) portion of SERS retirement is a relatively recent development, first appearing in the FY 2020 budget after the Appropriations Committee fringe benefit workgroup that was chaired by Senator Osten and Representative Walker in April 2019. SERS UAL subsidies were provided through Public Act 19-117, for University of Connecticut Health Center (UCHC), the Connecticut Community College system and the Resident State Trooper (RST) Program.

General Fund Subsidies to Higher Education for SERS UAL

University of Connecticut Health Center

Public Act 19-117, Section 44 (a) appropriated **$33.2 million** to UCHC, but just for one fiscal year, FY 2020, from July 1, 2019 to June 30, 2020.

> Sec. 44. (Effective July 1, 2019) (a) For the fiscal year ending June 30, 2020, the Comptroller shall fund the portion of the state employees' retirement system fringe benefit recovery rate attributable to the unfunded liability of said system, for employees of The University of Connecticut Health Center who are supported by resources other than the General Fund, in an amount not to exceed $33,200,000 from the amount appropriated in section 1 of this act to the State Comptroller, for State Employees' Retirement System Unfunded Liability.

The language did not specify whether the funding was for union or non-union employees, just that the funding was to cover non-General Fund employees at UCHC. The funding to cover the $33.2 million subsidies was appropriated to the Comptroller's central SERS UAL appropriation in the General Fund. Direct fringe benefit subsidy transfers were made to UCHC's operating fund.

Projected cost to cover the UAL portion of SERS retirement for non-General Fund employees at UCHC is **$31.6 million in FY 2022 and $33.0 million in FY 2023**. If retire health legacy costs costs are added to SERS UAL, the total costs are projected to be $50.1 million in FY 2022 and $52.2 million in FY 2023. Please see the attached chart for a summary of projected amounts to cover SERS legacy costs for all the higher education units.

Board of Regents – Community College System

Public Act 19-117, Section 44 (b) and (c) appropriated SERS UAL subsidies to the BOR Community College System for both years of the biennium, FY 2020 and FY 2021 as follows: **$8.2 million** for FY 2020 and **$20.35 million** for FY 2021.

> Sec. 44. (b) For the fiscal year ending June 30, 2020, the Comptroller shall fund the portion of the state employees' retirement system fringe benefit recovery rate attributable to the unfunded liability of said system, for employees of the community college system who are supported by resources other than the General Fund, in an amount not to exceed $8,200,000 from the amount appropriated in section 1 of this act to the State Comptroller, for State Employees' Retirement System Unfunded Liability, for the fiscal year ending June 30, 2020.
>
> (c) For the fiscal year ending June 30, 2021, the Comptroller shall fund the portion of the state employees' retirement system fringe benefit recovery rate attributable to the unfunded liability of said system, for employees of the community college system who are supported by resources other than the General Fund, in an amount not to exceed $20,350,000 from the amount appropriated in section 1 of this act to the State Comptroller, for State Employees' Retirement System Unfunded Liability, for the fiscal year ending June 30, 2021.

Again, the language did not specify whether the funding was for union or non-union employees, just that the funding was to cover non-General Fund employees of the Community College System. The funding to cover the CCC subsidies was appropriated to the Comptroller's central SERS UAL appropriation in the General Fund. Direct fringe benefit subsidy transfers were made to CCC's operating fund.

Projected FY 2022-23 cost to cover the UAL portion of SERS retirement for non-General Fund employees of the Community College System is **$21.3 million for FY 2022 and $22.2 million for FY 2023**. If retiree health legacy costs are added to SERS UAL, the total costs are projected to be $33.7 million in FY 2022 and $35.1 million in FY 2023. Please see the attached chart for a summary of projected amounts to cover SERS legacy costs for all the higher education units.

The full SERS legacy cost projections for the higher education units appear in the chart below.

Higher Education - Projected Portion of SERS Legacy Costs FY 2020 - FY 2023

FY 2019-20 Actual		University of Connecticut Health Center (UHC)* FY 2019-20	University of Connecticut (UOC) FY 2019-20	BOR - Connecticut State University System FY 2019-20	BOR - Community College System FY 2019-20	BOR - Charter Oak College FY 2019-20	Total Higher Education Units FY 2019-21
	Total University Funded SERS Amounts	59,133,235	44,209,543	29,775,753	14,214,566	1,037,750	148,370,847
Legacy Costs	**SERS Legacy Cost Components**						
(50.38% of SERS Charges)	UAL Portion of SERS	29,788,904	22,270,959	14,999,806	7,160,717	522,776	74,743,162
(34.66% of SERS Charges)	Retiree Health Portion of SERS	20,497,953	15,324,803	10,321,471	4,927,339	359,726	51,431,292
(85.04 % of SERS Charges)	**Total Legacy Portion of SERS - Gross**	50,286,858	37,595,762	25,321,277	12,088,056	882,501	**126,174,454**
	Less SERS UAL Subsidies Provided	***(33,200,000)***			***(8,200,000)***		
	Total Legacy Portion of SERS - Net	**17,086,858**	**37,595,762**	**25,321,277**	**3,888,056**	**882,501**	**84,774,454**

FY 2020-21 Projected	SERS Legacy Cost Component	University of Connecticut Health Center (UHC)* FY 2020-21 Projected	University of Connecticut (UOC) FY 2020-21 Projected	BOR - Connecticut State University System FY 2020-21 Projected	BOR - Community College System FY 2020-21 Projected	BOR - Charter Oak College FY 2020-21 Projected	Total Higher Education Units FY 2020-21 Projected
	Total University Funded SERS Amounts	55,662,607	47,183,218	34,492,792	37,475,558	1,142,407	175,956,582
Legacy Costs	**SERS Legacy Cost Components**						
(54.19% of SERS Charges)	UAL Portion of SERS	30,161,563	25,566,888	18,690,403	20,306,656	619,029	95,344,539
(31.77% of SERS Charges)	Retiree Health Portion of SERS	17,683,597	14,989,758	10,958,104	11,905,707	362,934	55,900,100
(85.96% of SERS Charges)	**Total Legacy Portion of SERS - Gross**	47,845,160	40,556,646	29,648,507	32,212,363	981,964	**151,244,640**
	Less SERS UAL Subsidies Provided				***(20,350,000)***		
	Total Legacy Portion of SERS - Net	**47,845,160**	**40,556,646**	**29,648,507**	**11,862,363**	**981,964**	**130,894,640**

FY 2021-22 Projected	SERS Legacy Cost Component	University of Connecticut Health Center (UHC)* FY 2021-22 Projected	University of Connecticut (UOC) FY 2021-22 Projected	BOR - Connecticut State University System FY 2021-22 Projected	BOR - Community College System FY 2021-22 Projected	BOR - Charter Oak College FY 2021-22 Projected	Total Higher Education Units FY 2021-22 Projected
	Total University Funded SERS Amounts	57,610,798	48,834,630	35,700,040	38,787,203	1,182,391	182,115,063
Legacy Costs	**SERS Legacy Cost Components**						
(55.00% of SERS Charges)	UAL Portion of SERS	31,685,939	26,859,047	19,635,022	21,332,962	650,315	100,163,284
(32.00% of SERS Charges)	Retiree Health Portion of SERS	18,435,455	15,627,082	11,424,013	12,411,905	378,365	58,276,820
(87.00% of SERS Charges)	**Total Legacy Portion of SERS**	50,121,394	42,486,128	31,059,035	33,744,867	1,028,681	**158,440,105**

FY 2022-23 Projected (27 Payrolls)	SERS Legacy Cost Component	University of Connecticut Health Center (UHC)* FY 2022-23 Projected	University of Connecticut (UOC) FY 2022-23 Projected	BOR - Connecticut State University System FY 2022-23 Projected	BOR - Community College System FY 2022-23 Projected	BOR - Charter Oak College FY 2022-23 Projected	Total Higher Education Units FY 2022-23 Projected
	Total University Funded SERS Amounts	60,000,000	50,750,000	37,100,000	40,300,000	1,300,000	189,450,000
Legacy Costs	**SERS Legacy Cost Components**						
(55.00% of SERS Charges)	UAL Portion of SERS	33,000,000	27,912,500	20,405,000	22,165,000	715,000	104,197,500
(32.00% of SERS Charges)	Retiree Health Portion of SERS	19,200,000	16,240,000	11,872,000	12,896,000	416,000	60,624,000
(87.00% of SERS Charges)	**Total Legacy Portion of SERS**	52,200,000	44,152,500	32,277,000	35,061,000	1,131,000	**164,821,500**

Traditional Sources of General Fund Fringe Benefit Support for Higher Education

Beyond the recent SERS UAL-specific support, the General Fund provides significant fringe benefit subsidies to the higher education units in a variety of ways.

Each of the higher education units have positions supported by the General Fund. This support takes the form of funding to cover salaries, but also the associated fringe benefits charged along with those salaries. The fringe benefits that are paid centrally by the State Comptroller for these General Fund supported positions include the employer-share of the following components:

- Group life insurance
- Medical insurance (health, dental and prescription drug coverage)
- Unemployment Compensation
- FICA-Social Security & Medicare payroll taxes
- Applicable retirement plan, which can include State Employee Retirement System (SERS), Alternative Retirement Program (ARP) or Teachers' Retirement.

Please see the attached chart for a higher education summary for FY 2020, with fringe benefit amounts by entity, broken out by totals paid by the General Fund versus by university funding sources.

Higher Education Fringe Benefit Summary
FY 2019-20 Breakout: General Fund Versus University Funded

General Fund **Account**	**Description**	**University of Connecticut Health Center (UHC)* FY 2019-20**	**University of Connecticut (UOC) FY 2019-20**	**BOR - Connecticut State University System FY 2019-20**	**BOR - Community College System* FY 2019-20**	**BOR - Charter Oak College FY 2019-20**
50410	Group Life	165,506	248,193	145,810.19	198,881.73	3,533.98
50420	Medical Insurance	40,596,957	40,626,025	36,007,602.00	29,014,300.60	928,735.82
50430	Unemployment	0	(3)	-	24.82	173,402.83
50441	FICA	8,182,243	10,872,171	8,315,686.79	8,161,945.73	40,553.73
50442	Medicare	2,100,910	2,676,195	1,950,998.16	1,925,287.23	-
50471	SERS Retirement	111,595,406	116,421,900	88,458,486.00	108,959,048.33	1,821,140.72
50472	ARP Retirement	3,319,032	907,790	36,584.34	134,039.31	3,167.62
50473	Teachers Retirement	(10,277)	140,518	8,005.02	0.00	-
	Total	**165,949,777**	**171,892,789**	**134,923,173**	**148,393,528**	**2,970,535**
**Includes SERS UAL Subsidy*						
(52.23% of SERS Charges)	**UAL Portion of SERS**	59,401,176	61,970,273	47,085,613	57,997,867	969,376
(33.80% of SERS Charges)	**Retiree Health Portion of SERS**	37,723,301	39,354,831	29,902,182	36,832,116	615,612
(87.03 % of SERS Charges)	**Total Legacy Portion of SERS**	**97,124,477**	**101,325,104**	**76,987,794**	**94,829,984**	**1,584,988**

University Funded **Account**	**Description**	**University of Connecticut Health Center (UHC)* FY 2019-20**	**University of Connecticut (UOC) FY 2019-20**	**BOR - Connecticut State University System FY 2019-20**	**BOR - Community College System FY 2019-20**	**BOR - Charter Oak College FY 2019-20**
50410	Group Life	185,505	271,550	82,812	72,759	1,875
50420	Medical Insurance	45,036,081	45,625,447	19,498,385	10,321,641	420,962
50430	Unemployment	(0)	(2,418)	(79)	(16)	25
50441	FICA	13,293,647	15,977,273	9,790,906	5,910,074	292,821
50442	Medicare	4,016,631	4,232,301	2,438,028	1,470,710	70,789
50471	SERS Retirement	59,133,235	44,209,543	29,775,753	14,214,566	1,037,750
50472	ARP Retirement	25,833,123	28,432,377	14,698,674	9,236,395	378,899
50473	Teachers Retirement	432,036	300,710	1,638,501	1,733,344	15,358
	Gross Total	**147,930,256**	**139,046,783**	**77,922,979**	**42,959,472**	**2,218,478**
	Less Statutory FB Transfers	**(13,500,000)**			**(16,500,000)**	
	Less SERS UAL Support	**(33,200,000)**			**(8,200,000)**	
	Net Total	**101,230,256**	**139,046,783**	**77,922,979**	**18,259,472**	**2,218,478**
**Includes SERS UAL Subsidy*						
(50.38% of SERS Charges)	**UAL Portion of SERS**	29,788,904	22,270,959	14,999,806	7,160,717	522,776
(34.66% of SERS Charges)	**Retiree Health Portion of SERS**	20,497,953	15,324,803	10,321,471	4,927,339	359,726
(85.04 % of SERS Charges)	**Total Legacy Portion of SERS**	50,286,858	37,595,762	25,321,277	12,088,056	882,501
	Less SERS UAL Support	(33,200,000)			(8,200,000)	
	Net Legacy Portion of SERS	**17,086,858**	**37,595,762**	**25,321,277**	**3,888,056**	**882,501**

Total Fringe Benefits	**University of Connecticut Health Center (UHC)**	**University of Connecticut (UOC)**	**BOR - Connecticut State University System**	**BOR - Community College System**	**BOR - Charter Oak College**
General Fund ($)	165,949,777	171,892,789	134,923,173	148,393,528	2,970,535
General Fund (%)	59.12%	55.28%	63.39%	81.02%	57.25%
University Funded ($)	101,230,256	139,046,783	77,922,979	34,758,366	2,218,478
University Funded (%)	40.88%	44.72%	36.61%	18.98%	42.75%

Question 2: Would it be possible to get a list of fringe costs by entity (agency or quasi) broken down by current fringe and UAL fringe?

Response: Please see attached for a fringe benefit listing by agency based on FY 2020 since it is the most recent completed year. These are fringe benefit amounts paid by the agencies themselves, not by the OSC central appropriations.

The terms "current fringe" and "UAL fringe" can defined in various ways. For this response, we are interpreting the terms broadly. For example, in the chart that is attached, current fringe is defined as fringe benefit costs associated with current employees. This includes group life insurance, medical insurance, unemployment compensation, FICA/Medicare payroll taxes, the normal cost of retirement and the employer OPEB contribution. UAL fringe is defined as legacy costs built into the fringe benefit rates that are associated with the population that is already retired. This includes contributions toward unfunded pension liability (UAL) and medical insurance for existing retirees.

The attached chart does include separate columns for UAL and retiree health insurance, further breaking down legacy costs into these two categories.

Breakout of Current Fringe Benefit Costs Versus Legacy Costs - FY 2020
(Federal and Other Reimbursable Funding Sources)*

			Costs of Current Employees	Legacy Costs in Retirement Rates**			
			Includes Group Life, Medical Ins, FICA & Medicare Taxes, Normal Cost of Retirement, OPEB	*UAL Portion of Retirement*	*Retiree Health Insurance*		
Agency	**Agency Name**	**Total FB Amount**	**Current FB Costs**	**UAL**	**Retiree Health**	**Percent Current Costs**	**Percent Legacy Costs**
AES	CT Agricultural Experiment Station	1,718,317	830,598	542,927	344,791	48.3%	51.7%
APT	Connecticut Airport Authority	12,880,222	4,942,528	4,854,681	3,083,013	38.4%	61.6%
BOR	Board of Regents for Higher Education	123,099,823	72,901,813	26,382,125	23,815,885	59.2%	40.8%
CEF	Clean Energy Fin & Invest Authority	3,086,635	1,111,156	1,208,200	767,279	36.0%	64.0%
CEQ	Council on Environmental Quality	144,039	69,175	45,787	29,077	48.0%	52.0%
CII	CT Innovations Inc	4,483,017	1,499,385	1,824,784	1,158,847	33.4%	66.6%
CLC	CT Lottery Corporation	9,472,765	3,961,310	3,370,797	2,140,658	41.8%	58.2%
CME	Office of the Chief Medial Examiner	42,970	12,571	18,592	11,807	29.3%	70.7%
CPA	Connecticut Port Authority	187,042	67,017	73,407	46,618	35.8%	64.2%
CRD	Capital Region Development Authority	1,066,091	404,105	404,870	257,116	37.9%	62.1%
CSC	CT Siting Council	580,932	220,248	220,593	140,090	37.9%	62.1%
CSL	Connecticut State Library	945,219	403,969	331,028	210,222	42.7%	57.3%
DAG	Department of Agriculture	1,081,383	487,182	363,412	230,788	45.1%	54.9%
DAS	Department of Administrative Services	5,158,856	2,120,899	1,858,010	1,179,947	41.1%	58.9%
DCC	Office of Consumer Counsel	806,098	329,374	291,564	185,160	40.9%	59.1%
DCF	Department of Children and Families	745,440	306,246	271,762	167,433	41.1%	58.9%
DCJ	Division of Criminal Justice	449,810	154,917	180,356	114,537	34.4%	65.6%
DCP	Dept of Consumer Protection	2,801,425	1,193,283	983,537	624,605	42.6%	57.4%
DDS	Dept of Developmental Services	281,686	94,937	114,215	72,533	33.7%	66.3%
DEP	Dept of Environmental Protectn	31,473,653	11,995,003	11,912,908	7,565,742	38.1%	61.9%
DHE	Department of Higher Education	315,729	136,778	111,550	67,401	43.3%	56.7%
DMV	Department of Motor Vehicles	4,844,715	2,053,008	1,707,404	1,084,304	42.4%	57.6%
DOB	Department of Banking	9,244,486	3,714,879	3,381,899	2,147,708	40.2%	59.8%
DOC	Department of Correction	1,347,670	316,235	630,824	400,611	23.5%	76.5%
DOH	Department of Housing	2,018,775	849,271	715,267	454,237	42.1%	57.9%
DOI	Department of Insurance	12,095,148	4,709,365	4,517,133	2,868,650	38.9%	61.1%
DOL	Department of Labor	30,361,794	12,380,657	10,997,235	6,983,902	40.8%	59.2%
DOT	Department of Transportation	68,723,917	27,585,940	25,159,922	15,978,056	40.1%	59.9%
DPH	Department of Public Health	18,775,614	7,984,597	6,597,612	4,193,404	42.5%	57.5%
DPS	Department of Public Safety	4,981,433	1,603,434	2,065,978	1,312,020	32.2%	67.8%
DRS	Department of Revenue Services	709,478	258,841	275,609	175,028	36.5%	63.5%
DSS	Department of Social Services	2,039,043	839,542	733,613	465,888	41.2%	58.8%
DVA	Dept of Veterans' Affairs	131,079	29,900	61,881	39,298	22.8%	77.2%
ECD	Dept of Economic & Cmmunty Dev	1,919,652	754,622	712,531	452,500	39.3%	60.7%
FML	Paid Family Medical Leave Authority	44,993	13,847	19,049	12,097	30.8%	69.2%
HFA	CT Housing Finance Authority	11,063,033	4,249,183	4,167,340	2,646,510	38.4%	61.6%
HRO	Commission on Human Rights & Opportunities	25,558	11,200	8,782	5,577	43.8%	56.2%
JUD	Judicial Branch	1,302,093	501,135	489,865	311,093	38.5%	61.5%
MCO	Office of the Managed Care Ombudsman	1,226,730	519,409	432,597	274,725	42.3%	57.7%
MHA	Mental Health & Addiction Svcs	840,327	323,096	316,337	200,893	38.4%	61.6%
MIL	Military Department	5,176,260	2,228,109	1,803,085	1,145,067	43.0%	57.0%
OAG	Office of the Attorney General	272,997	88,592	112,782	71,623	32.5%	67.5%

Breakout of Current Fringe Benefit Costs Versus Legacy Costs - FY 2020
(Federal and Other Reimbursable Funding Sources)*

			Costs of Current Employees *Includes Group Life, Medical Ins, FICA & Medicare Taxes, Normal Cost of Retirement, OPEB*	Legacy Costs in Retirement Rates** *UAL Portion of Retirement*	*Retiree Health Insurance*		
Agency	**Agency Name**	**Total FB Amount**	**Current FB Costs**	**UAL**	**Retiree Health**	**Percent Current Costs**	**Percent Legacy Costs**
OEC	Office of Early Childhood	1,013,044	439,363	350,863	222,819	43.4%	56.6%
OHS	Office of Health Strategy	1,151,955	424,107	445,151	282,697	36.8%	63.2%
OPM	Office of Policy & Management	495,044	176,834	193,486	124,724	35.7%	64.3%
OSC	Office of the State Comptroller	910,474	361,334	335,853	213,287	39.7%	60.3%
OTT	Office of the State Treasurer	8,337,934	3,178,198	3,155,686	2,004,049	38.1%	61.9%
PCA	Probate Court Administration	7,699,348	6,632,890	701,341	365,117	86.1%	13.9%
PDS	Public Defender Services	58,617	30,634	17,114	10,869	52.3%	47.7%
RSB	Retirement Security Authority	6,892	6,892	-	-	100.0%	0.00%
SDE	Department of Education	8,503,022	3,745,482	3,156,804	1,600,735	44.0%	56.0%
SDR	State Dept of Rehabilitation	17,253,745	7,696,294	5,845,322	3,712,129	44.6%	55.4%
SOS	Secretary of the State	1,134	1,134	-	-	100.0%	0.0%
UHC	University of Connecticut Health Center	147,930,256	87,082,455	31,784,103	29,063,697	58.9%	41.1%
UOC	University of Connecticut	139,046,783	90,371,241	23,746,728	24,928,814	65.0%	35.0%
WCC	Workers' Comp Commission	8,533,992	3,541,381	3,567,535	1,425,076	41.5%	58.5%
	Totals	**718,908,184**	**377,945,592**	**193,571,834**	**147,390,758**	**52.6%**	**47.4%**

***** Does Not Include Fringe Benefit Amounts Paid Centrally by the Office of the State Comptroller.***

***** Legacy costs were calculated for all retirement fringe benefit rates, including SERS, Teacher's Retirement, Alternative Retirement Plan and Judges' Retirement.***

ATTACHMENT 1

CT State Partnership 2.0

All Groups

Incurred Claims: Incurred January 2016 through September 2020; Paid January 2017 through December 2020

Medical/Pharmacy

January 1, 2016 through December 31, 2020

Month	Subscribers	Members	Premium	Medical Claims	Pharmacy Claims	Total Claims	Loss Ratio
Jan-16	17	40	$26,079	$5,897	$4,734	$10,631	40.8%
Feb-16	17	43	$28,229	$4,986	$4,898	$9,884	35.0%
Mar-16	78	186	$119,279	$19,798	$23,213	$43,011	36.1%
Apr-16	195	475	$298,499	$111,399	$74,955	$186,354	62.4%
May-16	200	495	$308,001	$268,126	$53,993	$322,119	104.6%
Jun-16	199	494	$322,733	$271,343	$65,256	$336,599	104.3%
Jul-16	2,732	6,809	$4,403,929	$715,063	$867,362	$1,582,425	35.9%
Aug-16	2,855	7,120	$4,594,815	$2,778,006	$1,113,056	$3,891,062	84.7%
Sep-16	4,209	10,540	$6,831,542	$3,393,136	$1,430,194	$4,823,330	70.6%
Oct-16	4,234	10,608	$6,861,261	$3,742,112	$1,517,008	$5,259,120	76.6%
Nov-16	4,386	10,964	$7,105,091	$4,720,002	$1,620,077	$6,340,079	89.2%
Dec-16	4,390	10,976	$7,075,404	$5,709,561	$1,582,273	$7,291,834	103.1%
Jan-17	5,302	13,398	$7,285,702	$7,172,441	$1,932,731	$9,105,171	125.0%
Feb-17	5,286	13,363	$7,252,521	$6,053,614	$1,674,187	$7,727,801	106.6%
Mar-17	5,293	13,384	$7,264,178	$6,926,463	$1,856,737	$8,783,200	120.9%
Apr-17	5,370	13,515	$7,261,258	$6,183,433	$1,730,752	$7,914,186	109.0%
May-17	5,367	13,501	$7,323,816	$8,118,071	$1,946,167	$10,064,238	137.4%
Jun-17	5,356	13,482	$7,346,366	$6,989,694	$1,916,401	$8,906,095	121.2%
Jul-17	7,905	19,556	$12,395,411	$9,902,011	$2,698,348	$12,600,359	101.7%
Aug-17	7,929	19,592	$12,357,900	$10,836,281	$3,213,005	$14,049,286	113.7%
Sep-17	8,007	19,771	$12,460,053	$9,252,829	$2,656,327	$11,909,156	95.6%
Oct-17	9,399	23,509	$15,035,383	$12,040,740	$3,021,708	$15,062,447	100.2%
Nov-17	9,391	23,474	$14,985,263	$12,472,222	$3,017,894	$15,490,115	103.4%
Dec-17	9,405	23,492	$12,436,824	$12,936,551	$2,926,255	$15,862,806	127.5%
Jan-18	11,988	29,983	$18,149,035	$17,551,261	$4,125,766	$21,677,027	119.4%
Feb-18	12,115	30,417	$18,745,589	$16,694,225	$4,315,743	$21,009,967	112.1%
Mar-18	12,118	30,401	$18,492,131	$16,960,112	$4,022,718	$20,982,829	113.5%
Apr-18	12,117	30,398	$18,531,561	$16,490,647	$4,281,125	$20,771,773	112.1%
May-18	12,131	30,415	$17,892,086	$17,304,180	$4,752,203	$22,056,383	123.3%
Jun-18	12,123	30,407	$18,503,287	$17,061,018	$4,309,822	$21,370,840	115.5%
Jul-18	14,477	36,691	$20,903,635	$19,751,270	$5,028,483	$24,779,752	118.5%
Aug-18	14,559	36,875	$26,371,243	$21,023,658	$5,570,243	$26,593,902	100.8%
Sep-18	17,060	42,751	$27,517,616	$19,657,704	$5,078,265	$24,735,969	89.9%
Oct-18	17,804	44,483	$29,558,109	$27,514,657	$6,472,695	$33,987,352	115.0%
Nov-18	18,668	46,157	$29,312,771	$27,110,573	$6,480,613	$33,591,186	114.6%
Dec-18	18,724	46,250	$31,904,462	$27,660,172	$6,357,285	$34,017,457	106.6%
Jan-19	18,983	46,677	$30,690,409	$29,206,416	$7,218,620	$36,425,036	118.7%
Feb-19	19,572	47,802	$31,188,391	$27,115,097	$6,555,982	$33,671,079	108.0%
Mar-19	19,592	47,836	$32,779,203	$31,611,512	$6,839,668	$38,451,180	117.3%
Apr-19	19,986	48,781	$32,003,512	$29,416,717	$7,296,203	$36,712,919	114.7%
May-19	19,981	48,742	$33,399,888	$31,672,202	$7,205,375	$38,877,576	116.4%

Jun-19	19,970	48,731	$32,769,603	$30,005,212	$6,940,798	$36,946,010	112.7%
Jul-19	23,291	57,374	$42,204,816	$36,003,899	$6,337,247	$42,341,146	100.3%
Aug-19	23,380	57,430	$42,456,025	$34,709,430	$6,851,680	$41,561,110	97.9%
Sep-19	23,396	57,398	$42,242,635	$31,028,366	$6,017,862	$37,046,228	87.7%
Oct-19	23,452	57,500	$42,906,342	$36,274,245	$6,602,694	$42,876,939	99.9%
Nov-19	23,473	57,501	$42,658,326	$35,437,681	$5,563,196	$41,000,878	96.1%
Dec-19	23,504	57,551	$42,433,436	$37,928,581	$5,919,919	$43,848,500	103.3%
Jan-20	23,826	57,637	$43,117,055	$40,032,298	$6,761,468	$46,793,766	108.5%
Feb-20	23,811	57,572	$43,094,273	$34,415,188	$6,586,945	$41,002,134	95.1%
Mar-20	23,841	57,578	$43,084,394	$29,175,067	$7,495,035	$36,670,102	85.1%
Apr-20	23,817	57,498	$42,791,572	$21,698,993	$6,751,833	$28,450,826	66.5%
May-20	23,796	57,401	$42,869,489	$24,287,695	$5,729,052	$30,016,746	70.0%
Jun-20	23,787	57,376	$42,923,476	$32,514,757	$6,310,057	$38,824,814	90.5%
Jul-20	23,827	57,399	$44,003,690	$34,848,643	$5,983,880	$40,832,523	92.8%
Aug-20	23,883	57,437	$43,953,860	$34,824,053	$6,051,670	$40,875,723	93.0%
Sep-20	23,532	56,722	$43,548,504	$31,547,966	$6,412,099	$37,960,064	87.2%

Data Sources:

1. Segal's SHAPE Claims Database from Anthem, Oxford, and CVS: Subscribers, Members, Medical Incurred Claims, Pharmacy Incurred Claims
2. Premium: OSC billed premium
3. Pharmacy claims reflect Point of Sale Rebates effective 7/1/2019
4. Oxford medical claims from SHAPE exclude fixed medical expenses included in Oxford reported claims.

ATTACHMENT 2

Partial Group Requirements

1) Partial groups applying whose population consist of 75% or more of the total group (full town or full BOE) are to be treated as full groups and not subject to the evaluation criteria below.
2) Partial groups applying whose population is between 50% - 75% of the total group (full town or full BOE) need to fill out the application and supply census data of the group applying as well as the total group they are part of. The data needed consists of employee specific demographics such as tier, age, & gender. Groups will also be asked if all bargaining units in current contract negotiations are applying to this plan.
3) Partial groups applying whose population is under 50% of the total group (full town or full BOE) need to fill out the application and supply census data of the group applying as well as the total group they are part of. The data needed consists of employee specific demographics such as tier, age, & gender. Groups will also be asked if all bargaining units in current contract negotiations are applying to this plan. In addition to this, groups will be asked for the plan design(s) and rate (or rate equivalents) of the partial group(s) requesting to join as well as the total group's.

All applications will be received by Comptroller staff. Comptroller staff will do an evaluation of demographics (through census data). The plan designs & rates will be provided to Management and Labor in their raw form.

Demographic Thresholds

When a partial group of all bargaining units in contract negotiations proposes to join the plan, HCCCC agrees to an unfavorable allowance of up to 15%.

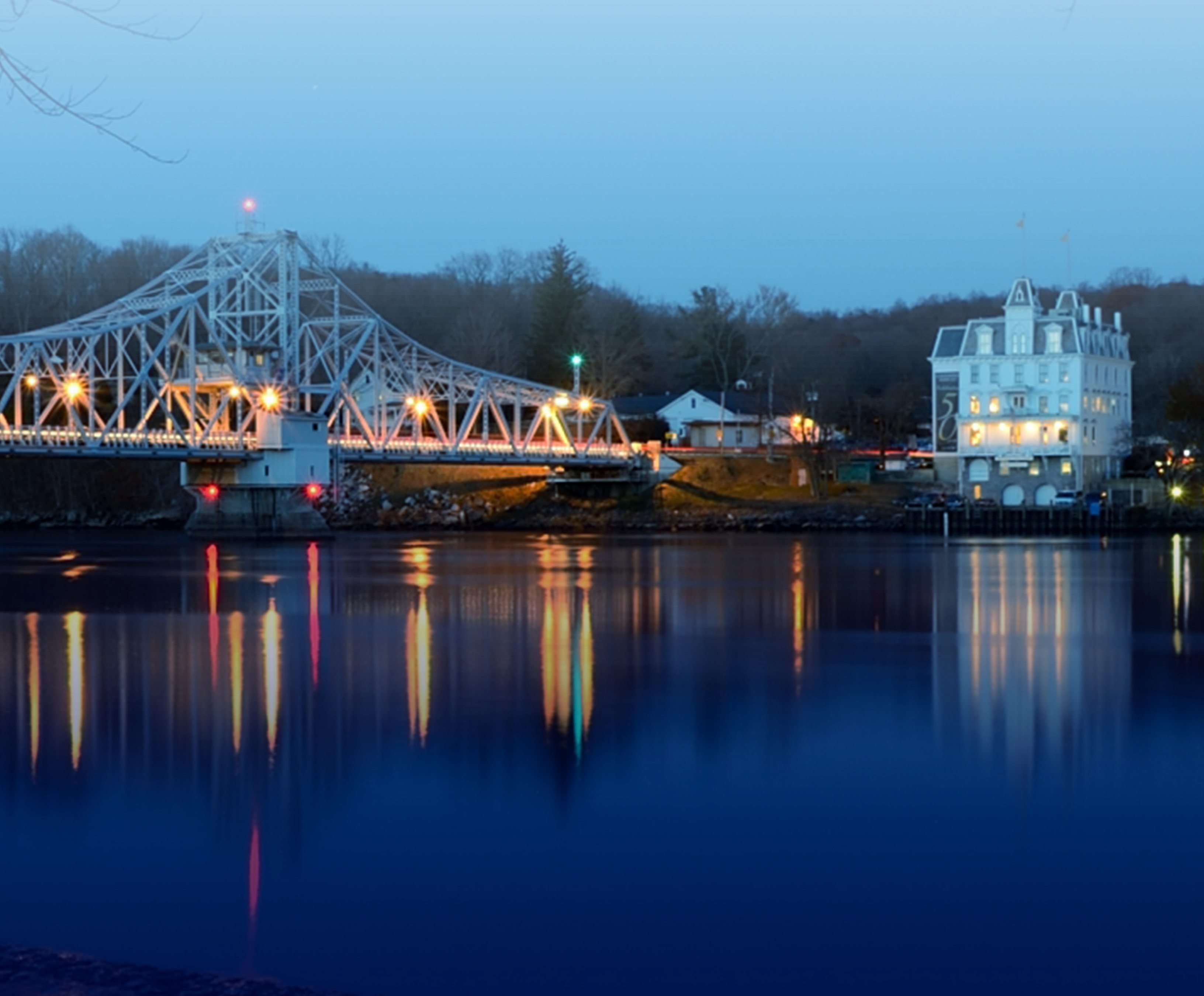
When a partial group consisting of less than all bargaining units in contract negotiations proposes to join the plan, HCCCC agrees to an unfavorable allowance of up to 7.5%. The 7.5% unfavorable allowance also applies to groups seeking to move one bargaining unit, and do not plan to move any other bargaining units in the future.

Timeline

All partial groups will be provided with a decision no later than 30 days after their application (along with census & plan/rate data) is received by Comptroller staff. Comptroller staff will forward, by email, to Management and Labor the information collected from partial group applicants, the manual rating analysis and a suggested action based upon the interpretation of the above criteria by Comptroller staff. Management and Labor will have up to 5 business days to respond to register their opposition to the interpretation of the criteria as put forward by Comptroller staff or request additional information. In the absence of a response the Comptroller's office will communicate a decision of acceptance or denial to the partial group based upon the interpretation of the above standards as described in the communication to Labor and Management.

REPORT ON THE STATUS OF THE CONNECTICUT PARTNERSHIP PLAN

Prepared March 2021



STATE OF CONNECTICUT COMPTROLLER
QUI TRANSTULIT SUSTINET

PREPARED BY THE OFFICE OF THE STATE COMPTROLLER

REPORT ON THE STATUS OF THE CONNECTICUT PARTNERSHIP PLAN

EXECUTIVE SUMMARY

The Connecticut Partnership Plan offers non-state public employers the choice to buy-in to the state employee health plan. Participating groups rely on the same programs as the state health plan and all claims from both plans are pooled to determine premium rates. All full eligible groups that apply are admitted to the plan.

CONNECTICUT PARTNERSHIP PLAN 2.0

The Basics

- **PLAN OPENED IN 2016**
- **59,500 MEMBERS**
- **141 ENROLLED GROUPS**
- **0 GROUPS LEFT PLAN**

The Partnership Plan ended Fiscal Year 2020 in good financial standing, taking in more in premiums than it paid in claims with a Medical Loss Ratio (MLR) of 94 percent (medical loss ratio is the percent of premiums a health plan spends on claims and expenses). So far in FY 2021, the plan is repeating its positive performance with an MLR of 86.7 percent. While claims declined due to COVID-19, the plan's MLR was under 100 percent prior to the pandemic and continues to be as health care services have picked back up in frequency. Independent actuaries project the plan to maintain its positive financial status going forward. Initial FY 2022 estimates project an MLR of 96.6 percent.

A 2019 legislative change allowed the plan to set rates at a county level to account for regional differences in health care costs. The plan did have an MLR over 100 percent in FY 2018 and 2019 and with the new regional rates being phased in FY 2021 and fully applied in FY 2022 to all existing groups the plan projects to continue to maintain an MLR under 100%.

Partnership Plan rates are calculated by an independent actuarial firm selected through a competitive bidding process. The State Auditors have oversight authority to audit the plan as they can all other programs of the Office of the State Comptroller. Each vendor payment made by the plan is posted in real-time to the state's nationally renowned transparency website, OpenConnecticut. The comptroller's office is also bound by Freedom of Information laws and has always provided data on the Partnership Plan to all requesters.

The Partnership Plan provides municipal governments an opportunity to benefit from the market power of the state health plan and its programs, including a world-class preventive health initiative. Groups join to save on costs, improve benefits and reduce volatility. Since the Partnership Plan became fully pooled with the state plan, enrollment has consistently expanded without a single group choosing to exit the plan. The Partnership Plan is an indispensable resource protecting Connecticut teachers, first responders and other municipal workers.

ABOUT THE PARTNERSHIP PLAN

The Connecticut Partnership Plan is a point-of-service (POS) health plan available to non-state public employers and their employees. This includes municipalities, boards of education, quasi-public agencies, housing authorities, public libraries and other public entities. The plan shares benefits, administration and programs with the state health plan.

Claims from Partnership groups are pooled with those of the state health plan and used to establish rates. Premium payments are deposited into a non-lapsing account and never co-mingled with funds associated with the state employee plan. All claims payments and expenses for the Partnership Plan are debited from the Partnership account. Since the plan began, it has been, and continues to be, self-sustaining.

The current Partnership Plan was established under PA 15-93 and began enrolling members on January 1, 2016. The Office of the State Comptroller administers the plan and contracts with private companies to manage benefits and claims processing, actuarial services and health care programs.

Participating Groups

As of March 1, 2021, the Partnership Plan had 59,500 enrolled employees and dependents representing 141 groups. By statute, the plan must admit all complete groups that apply.

Enrolled groups range in size from 8,254 total members (Bridgeport city and Board of Education) to one (Cornwall Library).

Offered Benefits

Partnership Plan members have access to the same POS health plan as state employees. The plan has no- or low-deductibles for all services. Medical and pharmacy coverage are provided for all members but individual groups may also decide to add dental coverage or a vision rider.

The cost-saving and wellness programs created by the state health plan are available to Partnership members as well. This includes the Health Enhancement Program (HEP), a preventive health initiative that incentivizes members to receive a number of age-based services, such as physicals, dental cleanings and cholesterol screenings, to maintain long-term health.

Other programs include the Network of Distinction, a collection of doctors and providers that meet specific quality metrics and have contracted to provide certain services and procedures at one bundled cost, from evaluation through recovery. Upswing Health is an orthopedic resource that offers no-cost at home treatments to members with the goal of surgical avoidance. Health Navigator is the plan's concierge customer service program to assist members with all aspects of their benefits.

Public-Private Partnerships

The Office of the State Comptroller has contractual agreements with a host of private companies to assist in administration of the Partnership Plan and provide programs for members.

Anthem Blue Cross Blue Shield (Anthem) is the plan's third-party administrator. Anthem manages eligibility and billing for medical and pharmacy coverage and offers its same POS plan design available to state employees.

Cigna provides fully insured dental and vision options to Partnership groups and manages the related eligibility and billing.

CVS Caremark is the pharmacy benefit manager for both the state health plan and the Partnership Plan. CVS utilizes a tiered prescription pricing plan and a maintenance drug network to allow members to receive maintenance drugs at local pharmacies at reduced costs.

WellSpark is the administrator for the Health Enhancement Program (HEP). WellSpark manages claims tracking for required preventive services and chronic disease management and related compliance.

Upswing provides telehealth orthopedic care to members with the goal of low-cost treatment and surgical avoidance. Upswing can diagnose injuries, connect members virtually with athletic trainers and recommend additional services as needed.

Signify Health partners with the state to contract with hospitals and provider groups joining the Network of Distinction.

Health Advocate operates the plan's "Health Navigator" program, a benefits concierge service to answer member questions about coverage and assist in connecting patients with the care they need.

Segal is an independent actuarial firm contracted to assist in monitoring financials and setting plan rates.

FINANCIAL REPORT

The Connecticut Partnership Plan is financially stable and projects to remain so into the future. In Fiscal Year 2020, the plan achieved a medical loss ratio (MLR) of 94 percent — meaning for every $1 collected in premiums, $0.94 was expended on claims.

Through the first six months of Fiscal Year 2021, the MLR stands at 86.7 percent. The amount spent on claims was lower than anticipated due to the onset of the COVID-19 pandemic and a corresponding delay in care for many members. However, from July 2019 through Feb. 2020, the plan was running a favorable MLR and has maintained that status as the frequency of claims has recovered in recent months.

Segal, the plan's independent actuarial contractor, currently projects Fiscal Year 2021 to have a year-end MLR of 91.5 percent and Fiscal Year 2022 to have an MLR of 96.6 percent. Administrative costs project to be 2.3 percent, leaving a projected 1.1 percent surplus.

Unlike private-sector plans that utilize low MLRs to generate profits, the balance of unused premium dollars paid by Partnership groups is exclusively held in reserve and utilized to reduce costs of premiums in future years.

SPAN	PREMIUMS	CLAIMS	MLR
Jul 1, 2017 - Jun 30, 2018	**$140,669,124**	**$150,040,021**	**106.7%**
Jul 1, 2018 - Jun 30, 2019	**$358,398,841**	**$380,547,450**	**106.2%**
Jul 1, 2019 - Jun 30, 2020	**$512,762,495**	**$484,097,446**	**94.4%**
Jul 1, 2020 - Dec 31, 2020 *(ACTUAL)*	**$272,319,765**	**$236,120,985**	**86.7%**
Jul 1, 2020 - Jun 30, 2021 *(PROJECTED)*	**$557,890,338**	**$510,514,464**	**91.5%**
Jul 1, 2021 - Jun 30, 2022 *(PROJECTED)*	**$587,606,000**	**$567,853,000**	**96.6%**

As a self-insured plan, premiums are established to meet projected claims plus administrative costs and appropriate reserve levels. Plan actuaries view the projected 1.1 percent surplus as a healthy margin. For reference, the state plan typically has an MLR of around 97-98 percent.

The recent financial success of the Partnership Plan, and its stable future projections, are due in part to a 2019 legislative change to the underlying statute. In Fiscal Years 2018 and 2019, the Partnership Plan had an MLR greater than 100 percent. It was determined that geographic disparities in the cost of health care must be accounted for in rate setting, as is done on the commercial market.

Legislation requested by the comptroller established county-based rates that would be phased-in over three years. Regional rate adjustments were first applied to new groups in Fiscal Year 2020 and phased in (50%) for existing groups beginning in Fiscal Year 2021. Fiscal Year 2022 will be first year in which the regionally adjusted premiums will be fully applied across the entirety of Partnership Plan participants.

The change has had an immediate impact on the plan's finances, improving the MLR to under 100 percent in the first year of the phase-in and is a major factor in the favorable projections going forward.

Funding

The Partnership Plan is funded by premiums paid by enrolled groups. Premium payments are deposited into the Partnership Funds Awaiting Distribution (FAD) account.

The current Partnership FAD balance is approximately $57.5 million. When accounting for invoices received and awaiting payment, the balance is $22.7 million.

The Partnership FAD is funded only by premiums paid by enrolled groups. State funds have never been appropriated or transferred to the Partnership FAD account. In addition, the Partnership FAD account has always maintained a positive balance and does not have accounting authority to run a negative fund balance. Excess funds in the Partnership FAD account are held in reserve to guard against future claims spikes and keep premium increases low. The ending balances of the Partnership FAD account are reported annually in the comptroller's report on a budgetary basis since its inception and are displayed in the table to the right.

FISCAL YEAR	FAD YEAR-END BALANCE
FY 2016	**$384,269**
FY 2017	**$8,831,813**
FY 2018	**$2,230,584**
FY 2019	**$8,040,047**
FY 2020	**$23,668,462**
FY 2021 *(Year to date)*	**$57,521,541**

Administrative Costs

Enrolled Partnership Plan groups have administrative costs included in their premiums. Those costs cover the state employees who support the program, fees for the vendors and consultants, and costs associated with the Health Enhancement Program (HEP) for data warehouse analytics, chronic condition management and member communications.

Segal projects the administrative cost in the Fiscal Year 2022 rates to be 2.3 percent. The administrative costs for the Partnership Plan have been around 2 percent each year, well below typical costs in the private market.

OVERSIGHT & REPORTING

The Office of the State Comptroller is required to submit annual reports on the Partnership Plan to the Health Care Cost Containment Committee. The latest was submitted in Jan. 2021 and delivered to the Office of Policy and Management, as required by statute.

The state selected Segal to perform actuarial services for both the Partnership Plan and the state health plan after a competitive bidding process. Segal provides independent financial analysis to determine the fiscal state of the plan and calculates all premium rates for Partnership groups.

The State Auditors maintain oversight authority into all functions of the Office of the State Comptroller, including the Partnership Plan. Additionally, the comptroller must provide legal statements of fact on the financial status of the agency and the office and its employees must comply with all Freedom of Information laws as it is a public agency.

Each vendor payment made on behalf of the Partnership Plan is also uploaded to OpenConnecticut, the comptroller's transparency website that updates checkbook-level payment information on a nightly basis.

FUTURE OUTLOOK

The Partnership Plan's financial situation is projected to remain strong into the future. The full implementation of county level rates has corrected regional imbalances, and the cost-saving measures aimed at reducing long-term costs through surgery avoidance, preventive care, chronic disease management and lowering emergency room use will all grow more impactful over time.

Anthem has expressed a strong desire to expand membership in the plan by increasing its outreach to eligible groups. In its history, no group has elected to leave the plan and as enrollment increases, the experience of the pool as a whole will grow more stable.

The state health plan is the largest plan in Connecticut and has notable market strength that results in favorable contractual terms and innovative programs within the health care sector. Enrolled Partnership groups will continue to benefit from being part of that larger pool.

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Memorandum

To: State of Connecticut - Office of the State Comptroller

From: Mark Noonan, ASA, MAAA

Date: March 16, 2021

Re: Actuarial Certification

Segal has been retained to calculate preliminary rates for July 1, 2021 and projected loss ratios on behalf of the State of Connecticut for the Partnership 2.0 plan. The calculations in this report were completed in accordance with generally accepted actuarial principles and practices, consistently applied, based on the data described later in this report.

The projections in this report are estimates of future costs and are based on information provided to Segal by Anthem, CVS and Oxford at the time the projections were made. Segal has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any cost or savings impact resulting from the new health care reform legislation or other recently passed state or federal regulations.

Projections of retiree costs take into account only the dollar value of providing benefits for retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection.

The Coronavirus (COVID-19) pandemic continues to evolve, and will likely continue to impact the US economy and health plan claims projections for most Health Plan Sponsors. Segal has developed and applied plan cost adjustments factors to both our long-term and short--term financial projections such as those described in this report. However, projections of near-term income and claim expenses could be significantly altered by emerging events. At this point, it remains unclear what the ultimate income and cost impact will be for Health Plan Sponsors. Unless specifically noted, this current report does not include any adjustments such as changes in eligibility, income, increases in healthcare costs or decreased investment returns. Additionally, the potential for federal or state fiscal relief is also not contemplated in these projections. Given the high level of uncertainty and fluidity of the current events, some plans may seek periodic updated estimates throughout the year to closely monitor health plan budget projections this year.

The signing actuary is an Associate of the Society of Actuaries and member of the American Academy of Actuaries. He meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Mark J. Noonan

Mark J. Noonan, ASA, MAAA
Vice President and Consulting Actuary

Questions on the Comptroller's Insurance Partnership Plan and proposed expansion through a Public Option.

Partnership/State Plan Questions

1. Can you share with the working group the Partnership's medical loss ratio (MLR), on a month-by-month basis, from the plan's inception in 2016 through December 31st, 2020? Medical claims are not reported in real time and can lag for weeks or months. These claims are called incurred but not reported (IBNR), also known as a "tail." When you are reporting your monthly MLR numbers, please be sure to include all IBNR claims.
    a. RESPONSE: See attachment 1

2. In Fiscal Year 2018, the Partnership Plan operated with a 105% MLR—meaning for every dollar you took in, you spent $1.05-- creating a $10 million deficit. In FY 2019, the Partnership Plan operated at a 108% MLR, equating to a $30 million loss. In earlier years, I think you had reported the $10 million in FY 2018 was taken from the state employee health insurance accounts. Is that accurate? And can you tell where the money came from to cover the $30 million loss in FY 2019?
    a. RESPONSE: The only funds that have ever been deposited in the Partnership account have come from premiums or vendor rebates/reimbursements. No funds appropriated for the state employee plan or paid in premiums to the state employee plan have ever been transferred to the Partnership plan account. The plan performance in the prior year is reflected in the premium adjustment for the following year. To date the Partnership account has a positive balance, the account has never gone negative and in fact the account does not have authority to run negative balances. Premiums project to be in excess of claims through the biennium.

3. You recently testified that the Partnership had an MLR of 94.5% in 2020. Did that figure include the IBNR? If not, what was the IBNR and why wasn't it included?
    a. RESPONSE: The State health plan is a self-funded plan and all reporting has been done reflecting paid claims versus premium. For rate development purposes, claims reflect mature experience for Partnership and State combined.

4. Covid-19 hit hard in March of 2020. Due to that, medical utilization dropped drastically towards the end of the third quarter of FY 2020 and for all of the four quarter. Elective surgeries were stopped, doctor's offices closed, physical therapy was stopped, etc. What kind of drop did you see in your MLR for March-June of 2020? And did this cause a drop to your MLR for FY 2020?
    a. RESPONSE: Yes, the MLR through the first six months of FY 2020 reflects actual paid claims and the drop in utilization due to COVID-19. However, projections for the remainder of the fiscal year are adjusted to include increased health care usage to calculate budget and premium projections. The drop in claims between March and June 2020 can be viewed in the attachment.

5. In future years, if there are years your Partnership Plan continues to operate in deficit, how do you cover those losses?
    a. RESPONSE: Should the Partnership Plan experience losses in future years, those would be factored into the rate setting for the Partnership and State Employee plan the following year, resulting in higher premiums for Partnership enrollees and State Employees. All Partnership Plan premiums and claims payments are made through a designated Partnership account. The Partnership account has never run a negative balance and in fact the account does not have the authority to run negative, no funds from any state source have ever been transferred or deposited into the Partnership account. In a hypothetical situation where Partnership expenses outpaced premiums for an extended period, the Comptroller would need to request to transfer funds from another source through the FAC process or request a specific budget appropriation to satisfy the deficit.

6. In your current Partnership Plan, are you able to deny eligible applicants? If so, have you ever denied an applicant and who?
    a. RESPONSE: There are two relevant pieces in the Partnership Plan statute:

       "*Nothing in sections 3-123rrr to 3-123vvv (Sections establishing the Partnership Plan), inclusive, shall (1) require the Comptroller to offer coverage to every nonstate public employer seeking coverage under the state employee plan, or (2) prevent the Comptroller from procuring coverage for nonstate public employees from vendors other than those providing coverage to state employees."*
       …

       "2) If a nonstate public employer submits an application for coverage of all of its nonstate public employees, the Comptroller shall provide such coverage not later than the first day of the third calendar month following such application."

       The Comptroller's Office has interpreted the statute to require enrollment of all nonstate public employers who seek to cover all of their eligible enrollees, while those seeking to cover only a subset of their eligible employees are subject to additional review to determine if the subset is likely to be higher cost than the portion of employees covered under another arrangement.

       The additional review of partial groups is required by statute and bestows the authority to accept or deny partial groups to the Health Care Cost Containment Committee, not the Comptroller. Thus, the Comptroller's Office has never denied a nonstate public employer seeking coverage for all of its eligible employees, but has recommended denial of coverage to nonstate public employers seeking coverage for a subset of their employees that is projected to be more risky than the group as a whole and the Health Care Cost Containment Committee has, in those instances accepted the Comptroller's recommendations. Note the Comptroller's recommendations to the Health Care Cost Containment Committee are formulaic, as established and approved by the Health Care Cost Containment Committee (Attachment 2). The standard review process ensures that such decisions are not made arbitrarily and all nonstate public employers receive equal treatment.

7. Has any group left your Partnership?
    a. RESPONSE: No group has left Partnership 2.0 to enroll in a different plan. The CT Retirement Security Authority exited on 2/1/20 because the group dissolved

8. Does an outside certified actuary audit the State Employee Health Insurance Plan? Does an outside certified actuary audit the Partnership Plan?
    a. RESPONSE: Segal provides technical and actuarial services to the State. Segal's rating methodology uses sound, industry-standard underwriting. The premium recommendations are presented in a report that outlines their review methodology, assumptions, observations and findings from their analysis. The report includes an actuarial certification of the soundness of the rates and complies with all relevant actuarial standards of practice.

9. Do you have a breakdown of the costs of administering the Partnership, including all staff involved, their salaries, fringe benefits including long-term pension costs and unfunded liabilities? Do you have any outside consultants working on the Partnership and, if so, what are their costs? Is there any co-mingling of Partnership costs with the State Employee Plan?
    a. RESPONSE: There is no comingling of State plan costs and Partnership costs. Services that benefit both programs are charged on a prorated basis to both groups. Below please find the administrative costs associated with vendors that service the Partnership plan for FY 2020. In addition, the Comptroller's Office charges a $2 per employee per month administrative fee to fund the salary and fringe costs of employees that work on the Partnership plan. The salaries charged to the Partnership administrative fee can be found below.

Partnership 2.0 Administrative Vendor Payments FY 2020

FY 20 Vendor Administrative Expenditures	Expenditures	Service Type
THE SEGAL COMPANY	$ 98,852.92	Consulting and Actuarial Work
UNITED HEALTHCARE	$ 9,110,727.79	Administrative Services
INTERNAL REVENUE SERVICE	$ 114,847.00	PECORI Fee
CARE MANAGEMENT SOLUTIONS	$ 1,099,658.53	Health Enhancement Program Administration
WESTERN CONNECTICUT HOME CARE INC	$ 29,910.00	Flu Clinics

Total employee salaries and fringe charged to Partnership in FY 2020 were $467,775.44. FY 2021 projections and full detail can be found below.

Employee Salaries and Fringe Benefits Charged to Partnership FY 21 (projected)

Employees	Salary & Wages - FY 2021	Fringe Benefits - FY 2021	Partnership Time Allocation	Partnership Salary	Partnership Fringe Benefits	Mileage	Partnership Admin Total
Dunbar,Tkimberly E.	75,476	79,051	10.63%	8,019	8,399		16,418.53
Slowik,Bernard A.	85,920	78,488	100.00%	85,920	78,488	3,072	167,480.60
RBO - Begin 11/1	42,932	39,475	60.00%	25,759	23,685		49,444.21
Ruggia,Diane M	90,899	75,578	87.50%	79,537	66,130		145,667.44
Humble,Alexandra E	50,508	45,196	100.00%	50,508	45,196		95,703.75
Totals	**345,736**	**317,788**		**249,744**	**221,898**	**3,072**	**474,715**

10. Participants in the Partnership are required to be locked in for three years. While they are locked in, are you able to increase their rates?
    i. RESPONSE: The Partnership statute states: *"(b) (1) The Comptroller shall offer participation in such plan for not less than three-year intervals. A nonstate public employer may apply for renewal prior to the expiration of each interval."* Groups can opt to exit the plan within the first three years but agree to pay a penalty to ensure the payment of outstanding claims. The Comptroller's office has implemented this requirement by establishing a standard participation agreement with all Partnership Plan enrollees (sample attached). The participation agreement defines the terms of participation in the plan, including the penalties for leaving prior to the end of the 3-year agreement. The 3-year agreement does not guarantee the premium rates beyond the first year.

    b. Is this unique to your plan or can private health insurance carriers lock their customers into three years? How are those fees determined? And is this something private health insurance carriers can impose?
        i. RESPONSE: Multi-year agreements are not unique for large groups, rather it is common for large groups to sign multi-year agreements to administer medical, pharmacy and dental benefits on either a self-insured or fully insured basis. The state employee plan for example typically signs 3-year contracts with vendors who provide these services with two one-year extension options. Presently these agreements include an ASO contract with Anthem, a Pharmacy Benefit Management

contract with CVS, a fully insured Group Medicare Advantage agreement with United Health care and a fully insured Dental plan with Cigna. Such arrangements are made through mutual agreement of the parties, they cannot be "imposed" by one party on another, but yes, such agreements are common and do exist beyond the state employee and Partnership plans.

11. If you move funds from one health insurance plan to another (i.e. State Employee Plan to the Partnership), are you required to go through the FAC or get approval from OPM?
    a. RESPONSE: Funds have never been transferred from the Partnership Plan to the State Employee Plan or vice versa. Claims and expenses incurred by the Partnership Plan are funded entirely from premiums paid by Partnership Plan groups.

Public Option Questions

12. You are looking to expand your Partnership to other outside parties including non-profits, small groups, individuals, large groups, Taft-Hartley Unions, etc. At a recent press conference on Public Option, you said the taxpayers are the backstop to cover losses. Is that accurate? And do you show anywhere in your budget the monies needed to cover those potential losses?
    a. RESPONSE: SB 842 (as of 3/10/2021) requires the Comptroller to: "*make reasonable efforts to minimize the risk that coverage provided pursuant to this section poses to the state's finances.*" Through the purchase of stop-loss insurance and/or charging participating groups a risk charge to cover claims overruns. The plan is envisioned to provide a guaranteed annual premium to participating groups. Like the Partnership Plan, any losses would be rolled into the next year's premium. The Comptroller's proposed budget does not include any requests related to SB 842.

13. There are several taxes, fees and assessments on fully-insured health insurance policies and some additional fees that seem to apply to both fully-insured and self-insured policies. Can you share with the working group if the Partnership Plan policies are subject to the Premium Tax, Insurance Fund Assessment, Exchange Assessment, Health and Welfare Fund Assessment and Health and Wellness Fund Assessment?
    a. RESPONSE: The Partnership Plan is a self-insured public plan and therefore is not subject to any of the fees listed above.

14. In your Partnership expansion Public Option bill, you are able to assess various fees, including fees for groups that wants to leave the plan.
    a. RESPONSE: SB 842 allows the Comptroller to charge administrative fees to cover the costs of administering the plan. The bill also requires the Comptroller to

offer coverage for not less than 3 years for large groups and not less than 1 year for others.

15. To follow up on the previous question, can you share with the working group whether those same taxes, fees and assessments will apply to your Partnership Plan expansion through your Public Option proposal?
    a. RESPONSE: The language of SB 842 (as of 3/10/2020) Requires the plan to pay a health and welfare fee, a public health fee, and a risk fund fee in addition to the administrative fees needed to run the plan.

16. If your Public Option proposal becomes law and you're successful in attracting both small and large groups, as well as individuals, away from the fully-insured market, have you accounted for and calculated the losses in Premium Tax, Insurance Fund Assessments and Exchange Assessments to the State Budget?
    a. RESPONSE: No.

17. Both in your Partnership Plan Public Option expansion proposal and the Governor's bill to expand access to the Exchange, additional fees/assessments are being added onto health insurance policies. In your proposal, can you tell me if the additional $50 million in assessments would apply to the following plans/policies: The State Employee Plan, The Partnership Plan, municipal plans not in the Partnership, individual plans, small-group fully-insured plans, large-group fully-insured plans, small-group self-insured plans, and large-group self-insured plans?
    a. RESPONSE: My office did not propose the referenced section of SB 842 nor did I consult the Governor on his proposal. This question is better directed toward the Insurance Committee or the Governor's Office.

18. In your Partnership Plan Public Option expansion bill, would you be able to deny applicants?
    a. RESPONSE: The language of SB 842 as of 3/10/2021 states that the comptroller is required to offer enrollment to all eligible groups, regardless of age, gender, or health status.

19. It is our understanding that Connecticut health insurers are required to have reserves of 500% risk-based capital on hand to operate in Connecticut. Are you required to have the same reserves to operate the Partnership or a Public Option Plan?
    a. RESPONSE: No. The current language of the Partnership Plan statute does not require any specific reserve level. The reserve target for the state employee plan and Partnership Plan is the average claims runout (the average amount of claims that are incurred but not paid over the prior fiscal year) for medical and pharmacy claims plus an additional 3% of annual claims to cover potential claims fluctuation. The reserve targets are factored into the annual rate setting process, increasing premiums when reserves are projected to end the year

below targeted levels, or reducing premiums when reserves are projected to end the year with a surplus.