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Honorable Nancy Wyman
Lieutenant Governor
State Capitol
210 Capitol Avenue, Room 304
Hartford, CT 06106

Dear Lieutenant Governor Wyman,

I am deeply troubled by the state of the individual insurance market in Connecticut – and the fate of nearly 800,000 people in Connecticut whose health care coverage may be at risk if the American Health Care Act becomes law. The increasing instability of the exchange and federal health care policies demands immediate action, so I appreciate your leadership in convening a bipartisan group to develop an action plan.

The time has come for a public health insurance option.

I urge that you and legislative leaders explore a public option as a choice on the exchange to ensure that all Connecticut residents have access to high quality health insurance – and to stabilize costs in the individual market.

Connecticut's existing exchange is broken. Only two carriers now remain in the exchange and both are considering withdrawal. If both carriers choose to leave the exchange, more than 110,000 residents would have no viable options to purchase health care coverage. Such an outcome is unacceptable.

There is a path for Connecticut to pursue a public option. Section 1332 of the Affordable Care Act (ACA) allows states to apply for innovation waivers that could allow states to develop their own insurance and delivery system innovations while still receiving the same level of total federal reimbursement.

Connecticut could potentially institute a public option by leveraging the purchasing power of the state's existing large programs – Medicaid or the state employees plan – to create a plan with very low administrative overhead. The administrative savings would allow the plan to provide improved benefits and lower premiums.

Our neighbors in Massachusetts have proven that stable health exchange rates are not only achievable, but contribute to a booming economy and job growth. In Connecticut, the average monthly premium this year for the second most expensive silver plan (the benchmark plan upon which federal subsidies are based) is \$435. By comparison the average monthly premium for the benchmark plan on the Massachusetts exchange

is \$248.¹ Moreover, rates in the Massachusetts plan are not only stable – but, in fact, the average monthly premium of the benchmark plan actually decreased between 2016 and 2017, while rates in Connecticut saw double-digit increases.

Many factors contribute to the divergent experience of the Massachusetts and Connecticut exchanges, including differentials in premium assistance and penalties for those who go without coverage. Unfortunately, the impact of these differences is now being magnified by the high and rising premium rates in the Connecticut market. As rates rise, the healthiest participants are more likely to discontinue coverage – further increasing average participant costs.

The adoption of a public option in Connecticut could reverse the outflow of healthy lives from the exchange through lower premium rates -- enticing younger and healthier residents who are currently going without coverage.

The high rates set by Connecticut insurers reflect the high cost of the population obtaining coverage through the exchange. Simply lowering rates – and attracting healthier participants to the pool – would put the insurers at significant financial risk.

A public option could help to solve this conundrum. Federal assistance through the ACA is based upon the insureds ability to pay. As rates rise, federal premium assistance tax credits rise in lockstep – raising total costs for the federal government.

A public option that sets lower rates would reduce the cost to the federal government for premium assistance tax credits. Through a section 1332 federal waiver, Connecticut could draw down the excess funds the federal government would have otherwise spent on premium assistance tax credits. The additional federal funds could be used to offset any financial risk to the state.

The Department of Health and Human Services (HHS) must approve a 1332 waiver for a public option, but in a recent letter to state governors, HHS Secretary Tom Price encouraged states to seek 1332 waivers for innovative state-based strategies.

The future of federal health care remains unclear – but Connecticut's moral responsibility remains very clear. The state must pursue every tool available to ensure that all residents have access to quality affordable health care. A public option will ensure, regardless of federal legislative action, that Connecticut residents have a viable choice for health care coverage.

Thank you for your consideration of pursuing a public option in Connecticut – and for your dedication to ensuring that all Connecticut residents have quality affordable health care.



Kevin Lembo
State Comptroller

¹ Kaiser Family Foundation, Marketplace Average Benchmark Premiums. <http://kff.org/health-reform/state-indicator/marketplace-average-benchmark-premiums/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>