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**Written Testimony of
Comptroller Kevin Lembo
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**State Comptroller and Miscellaneous Accounts Budget Presentation
to the Appropriations Committee**

Good afternoon Senator Osten, Representative Walker, Senator Formica, Representative Lavielle and members of the Appropriations Committee:

I am here this morning to testify on the Governor's Proposed Budget for the Office of the State Comptroller (OSC) and the Miscellaneous Accounts administered by the Comptroller's Office. I am confident that, absent any unforeseen events, the biennial budget as proposed by the Governor will be sufficient.

The OSC is responsible for all aspects of settling the state's debts, including vendor payments, employee payroll, retiree payroll, healthcare benefits, grants, and most other fiscal transactions our state agencies perform. Core-CT serves as the comprehensive financial engine upon which the General Assembly, the Administration and the Office of Fiscal Analysis (OFA) rely to formulate budget and program policy, as well as the system of record for the comprehensive annual financial report (CAFR).

Economic realities over the last several years continue to challenge every family, business, municipality and state agency -- but also provide an opportunity for government to reinvent how it does business.

I am proud that OSC staff continues to fulfill our core mission, while assuming expansive new responsibilities at the same time. We've enhanced OpenConnecticut -- the state financial portal dedicated to fiscal transparency -- adding pension and quasi-public data, as well as an interactive tool with which the public can perform its own analyses concerning revenue and expenditure changes.

To reduce healthcare costs, we have implemented a new SmartShopper program that provides financial incentives to state employees for using providers with higher than average quality and lower than average costs. We are changing our contractual relationship with our pharmacy benefit manager to strengthen transparency and better align the incentives of the state

employee health care, which will lead to lower costs and improve patient care. In addition, as of January 1, 2018, we have transitioned 52,000 Medicare eligible retirees to a Medicare Advantage plan, with estimated calendar year savings of approximately \$130 million. This change alone resulted in a reduction of the state's OPEB actuarial liability by \$5 billion.

We continue to add municipalities to the CT Partnership Plan every year, which has successfully lowered health care costs for participating municipalities by allowing them to join in the state employee health care plan. The program now covers nearly 50,000 municipal employees and their dependents.

The responsibilities of our automated financial system (Core-CT) continue to expand to meet the evolving needs of our state and quasi-public agencies. This expansion has resulted in more streamlined business processes that greatly improve productivity. Additional functionality implemented in Core-CT this past year includes cash management and health and human services grants management. The OSC partnered with the Department of Administrative Services to retire their legacy school construction grants management system and incorporate that functionality into Core-CT along with new and improved features that allow town school districts to conduct most of their grant activities on-line. The Core-CT system was also configured to accommodate the SEBAC 2017 changes and the retirement SAG (SEBAC ARP Grievance) Award. The continual enhancement of Core-CT and its broad adoption by state agencies has allowed new functionality to be delivered in a consistent and cost effective way.

All of these activities have occurred with a Core-CT support staff that is 20% smaller than four years ago. The state relies heavily on Core-CT and it is critical that the system is maintained, properly secured and always available. I appreciate the support the legislature has given to my agency in this regard.

I bring to your attention that my FY2020/2021 capital budget request included \$11.4M to ensure that Core-CT continues to provide the enterprise financial and human resource functions that Connecticut depends upon. These funds will be used for enhanced cyber security, software maintenance, application support and hardware modernization. I am told that this portion of our request will be satisfied through the Governor's IT Capital Investment Fund.

Healthcare Accounts

After careful review of the Governor's budget for Fiscal Years 2020 and 2021, we have determined that the proposed budget will likely provide adequate funding to cover our healthcare benefit obligations. However, in order to achieve the \$50 million lapse in FY 2020 and \$135 million in FY 2021 in the state's health care accounts the Comptroller's Office will

Written Testimony of Comptroller Kevin Lembo

need to successfully reduce certain reimbursements to providers. In addition, the office will need to achieve cost reductions through other ongoing initiatives including:

- Completing a competitive bid process for a prescription benefit manager for all active employees and non-Medicare eligible retirees;
- Developing Centers of Excellence to encourage members to utilize high quality and low cost providers and facilities;
- Expanding the state's Smart Shopper program;
- Operationalizing legislation that would set a maximum price based upon a percentage above Medicare payment rates for fee-for-service payments to providers; and,
- Developing additional wellness programs that target members with chronic conditions or are likely to develop those conditions in the near future.

This review assumes that there are no major changes in the enrolled population, i.e., mass hiring of new employees or an extraordinarily large influx of new retirees. A significant change in population could impact the financial resources necessary to sustain our current healthcare benefit obligations.

Conclusion

In summary, OSC maintains its commitment to find operating efficiencies, create savings, and provide greater transparency in government. Our efforts on OpenConnecticut have positioned our state as a national leader in open government. We are continuing to explore ways to expand on our efforts and enhance our recognition as an innovator in this space.

We work hard to deliver the best quality service to state employees, retirees, vendors, municipalities, state agencies, and the public. We have an extraordinary staff with a track record of finding ways to successfully deliver routine services, while at the same time implementing large statewide projects.

Thank you very much for your time. I am pleased to answer any questions.