

BACKGROUND

Section 9010 of the Patient Protection and Affordable Care Act (Pub L. 111-148) and the Health Care and Education Reconciliation Act (Pub L. 111-152), collectively “the ACA,” imposed fees on insurance companies that offered fully-insured health insurance coverage. The fees, which are treated as taxes under the Internal Revenue Code, were assessed on earned health insurance premiums, with certain exclusions.

In December 2019, Congress voted to permanently repeal the health insurer tax effective January 1, 2021. The State of Connecticut is considering implementing a similar tax on insurers third-party administrators operating in the State. UnitedHealth Group has requested that Oliver Wyman Actuarial Consulting, Inc. (“Oliver Wyman”) estimate the impact these taxes would have on health insurance premiums in the state of Connecticut in 2022.

PROPOSED BILLS

There are two bills under consideration that we have reviewed. The first bill is Connecticut Governor’s Bill No. 6447.¹ This bill proposes a \$30 million fee to be collected for 2022. The fee will be calculated by the taking full assessment amount divided by the number of lives assessed. The lives assessed will be based on lives in insured health plans and lives enrolled in self-insured health plans as of May 1st, and excludes members enrolled in the fully-insured small group market, Medicare and Medicaid.

The second bill is Connecticut Senate Bill No. 842.² The components of this proposal are similar including the same count of insured and enrolled lives. However, the amount for 2022 is not specified in the bill. The amount will be no more than \$50 million. Given that the assessment is proposed to be between \$30 million and \$50 million, we have calculated an estimated fee encompassing the full range between those two amounts.

RESULTS

The proposed fee assessment is allocated equally across all lives insured or enrolled in health insurance coverage in the State. We project that more than 1.6 million lives in Connecticut will be subject to the assessment. The table below illustrates the amount of fees that will be assessed per individual and will result in an equivalent increase in the premium rates for the lives enrolled in both fully-insured and self-insured health plans.

Calculation of Connecticut Per Member Fee Assessment

Total Fee Assessment	Assessed Lives	Per Member Per Year Cost
\$30,000,000	1,681,807	\$17.84
50,000,000	1,681,807	29.73

¹ <https://www.cga.ct.gov/2021/TOB/H/PDF/2021HB-06447-R00-HB.PDF>

² <https://www.cga.ct.gov/2021/TOB/S/PDF/2021SB-00842-R00-SB.PDF>

DATA AND METHODOLOGY

The assessment that is proposed for Connecticut is based on the aggregate fee divided by the number of lives such that each life is assessed the same fee. The assessed lives data is based on information from Kaiser Family Foundation illustrating members enrolled in health insurance coverage in 2019.³ We further differentiated these member counts using data from the Medical Expenditure Panel Survey that quantifies members enrolled in self-insured employer medical plans.⁴ Finally, the membership changes between 2019 and 2022 are based on data from the National Health Expenditures prepared by Centers for Medicare and Medicaid Services.⁵

REPORT QUALIFICATIONS/ASSUMPTIONS AND LIMITING CONDITIONS

Oliver Wyman was commissioned by UnitedHealth Group to analyze the impact of fee assessment proposals in the State of Connecticut. The primary audience for this report includes health insurers and third-party administrators that are responsible for paying the tax on health plan enrollees and other interested parties. Oliver Wyman shall not have any liability to any third party in respect of this report or any actions taken or decisions made as a consequence of the results, advice or recommendations set forth herein.

The opinions expressed herein are valid only for the purpose stated herein and as of the date hereof. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been verified. No warranty is given as to the accuracy of such information. Public information and industry and statistical data are from sources Oliver Wyman deems to be reliable; however, Oliver Wyman makes no representation as to the accuracy or completeness of such information and has accepted the information without further verification. No responsibility is taken for changes in market conditions or laws or regulations and no obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof.

While this analysis complies with applicable Actuarial Standards of Practice, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic and statistical variations from expected values. The opinions and conclusions expressed herein reflect technical assessments and analyses, and do not reflect statements or views with respect to public policy.

³ <https://www.kff.org/other/state-indicator/total-population/>

⁴ https://www.meps.ahrq.gov/data_files/publications/cb24/cb24.pdf

⁵ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected>