



February 25, 2021

Honorable Kevin Lembo, Comptroller

Office of the State Comptroller
165 Capitol Ave.
Hartford, CT 06106

Dear Comptroller Lembo,

I write in response to your February 24 letter challenging my testimony to the legislature's General Government B Subcommittee regarding the fiscal performance and outlook of the Connecticut Partnership Plan. Your letter also calls into question [a February 18 article on the CBIA website](#) mirroring that testimony.

After careful consideration of your allegations and an additional review of [the Brown & Brown report](#), which formed the basis of my testimony and web post, CBIA remains confident in the accuracy and substance of the information we presented.

Given that the public option proposal (SB 842) currently under consideration by the legislature is largely modeled on the State Partnership Plan, it is incumbent on policymakers to address the significant questions surrounding the plan's fiscal outlook and solvency status.

As a proponent of transparency and open government, we are sure you can appreciate the public's interest in a full accounting of the plan and its operations and will support CBIA's call for a fully independent audit of the Connecticut Partnership Plan, reviewed and approved by a certified actuary who is a member of the American Academy of Actuaries. It is in the interest of sound public policy that we make this request.

In response to the assertions made in your letter, please see CBIA's attached detailed response, summarized as follows:

- My testimony was based on a detailed analysis of the Partnership Plan produced by Brown & Brown, which in turn is drawn from data the company received from your office through multiple Freedom of Information Act requests. That data is current through September 2020. While your letter asserts Brown & Brown did not request access "to the most recent data," it is our understanding the company has yet to receive a response to a February 12 request made to your office.




- There are no meaningful discrepancies between the data included in your letter and the data in the Brown & Brown report. You cite the plan's fiscal 2020 medical loss ratio as 94%; Brown & Brown states 96.5%. The difference? Brown & Brown's analysis accounts for the fixed costs associated with the program. While you do not include those in your reported MLR, you projected fiscal 2022 administrative costs at 2.3%, which is in line with the Brown & Brown analysis.
- The differences between the two sets of MLR numbers for fiscal years 2018 and 2019 can also be attributed to the absence (or inclusion) of fixed costs. Nonetheless, there's no dispute that the Partnership Plan paid out significantly more in claims than it collected in premiums for both fiscal years 2018 and 2019, with losses in 2019 triple those of the previous year.
- Brown & Brown and you both agree that the COVID-19 pandemic delayed many medical procedures in the past year, greatly impacting the Partnership Plan's MLR for fiscal year 2021. Brown & Brown's accounting of that impact is supported by information we received from the insurance carriers.
- Your projected MLR for fiscal 2022 again does not reflect fixed costs nor the liabilities associated with "incurred but not reported" expenses known as the "claims lag." The information provided in your letter confirms Brown & Brown's analysis that plan premiums need to increase 18.57% to cover claims and fees projected for fiscal 2022 or 25% if you include the estimated base costs and runout claims.

CBIA prides itself on the credibility of the information we provide. While we may agree to disagree on matters of policy, we believe in forthright and honest deliberations and it was in this vein that we offered our comments.

We hope that you will respond in kind as we work together to ensure Connecticut adopts policies that are in the best interests of all its residents.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. Bosworth", with a long horizontal flourish extending to the right.

W. Wyatt Bosworth
Assistant Counsel, CBIA

CC: Members of the General Assembly's Appropriations Committee

Background

On February 12, 2020, Brown & Brown released their annual report, [“State of Connecticut Partnership Plan 2.0: Claims, Demographics & Other Considerations.”](#) While CBIA did not financially contribute nor directly commission the publication of this report, we have used this and prior reports to highlight growing concerns with the fiscal health and stability of the Partnership Plan to our members. Moreover, the data portrayed in the report was covered extensively in prior years by CBIA in both website articles and in public testimony submitted to the legislature’s Insurance and Real Estate Committee. This year is no exception.

As stated on page 19 of the report, “[a]ll data in this report is taken from documentation received from the State of Connecticut in December 2020 and January 2021 based on an FOI request submitted by Brown & Brown on Sept. 18, 2020.” In other words, the data included in this year’s Brown & Brown report is your office’s data.

There are no meaningful discrepancies between your data and the data in the Brown & Brown report. You cite the plan’s fiscal 2020 medical loss ratio as 94%; Brown & Brown says 96.5%. The difference? Brown & Brown’s analysis accounts for fixed costs. While you do not include those in your reported MLR, you projected fiscal 2022 administrative costs at 2.3%, which is in line with the Brown & Brown analysis.

Although your letter does not specifically point to any specific claim raised in either my testimony to the General Government B Subcommittee or my article on the CBIA website, the following addresses each of the three broad claims you made on page two of the document.

FY 2020 Discrepancies: Fixed Costs

On page two, you raise an issue with the difference of your office’s calculated MLR for fiscal 2020 and Brown and Brown’s calculated MLR for fiscal 2020:

“In fiscal year 2020, the Partnership Plan had a medical loss ratio (MLR) of 94%, meaning that for every \$1 brought in in premiums, \$0.94 was spent on claims. The onset of the COVID-19 pandemic drove down claims as members avoided non-emergency medical care in March and April, however the plan already had an MLR below 100% through the first eight months of the fiscal year.”

After thorough examination of both the letter and attached Partnership data you sent, it is apparent that the only inconsistency lies in the inclusion of fixed costs by the Brown & Brown study. For example, the month-by-month itemization in your attached data of (1) subscribers; (2) members; (3) premium; (4) medical claims; (5) pharmacy claims; and (6) total claims are identical to the month-by-month itemization

that Brown & Brown reported. This is obvious because your office sent Brown & Brown your data. The key distinction between your numbers and Brown & Brown's numbers is that the latter adjusted the total cost of the plan by including fixed costs; you did not.

I reached out to Brown & Brown to inquire as to how they formulated the fixed costs for each month. Brown & Brown told me that, in anticipation of formulating and releasing the report, your office would not release the full and complete administrative costs in response to their FOIA request. Instead, your office told them to use \$40 as a PMPM administrative cost. In return, Brown & Brown conservatively used \$37.50 PMPM for administrative costs. This equates to an administrative fixed cost of roughly 2.1% for the fiscal 2020 data Brown & Brown provided:

Month	OSC MLR	Brown & Brown MLR	Difference
July-2019	96.0%	98.1%	2.1%
August-2019	104.1%	106.2%	2.1%
September-2019	87.2%	89.3%	2.1%
October-2019	95.4%	97.5%	2.1%
November-2019	95.4%	97.4%	2.0%
December-2019	99.3%	101.3%	2.0%
January-2020	115.0%	117.1%	2.1%
February-2020	100.7%	102.7%	2.0%
March-2020	97.4%	99.5%	2.1%
April-2020	92.1%	94.2%	2.1%
May-2020	66.8%	68.9%	2.1%

June-2020	83.3%	85.4%	2.1%
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On page two of your letter, you confirm the veracity of Brown & Brown's fixed cost adjustment by stating that for fiscal 2022, "[a]dministrative costs project to be 2.3%." The 2.1% discrepancy between your fiscal 2020 data and Brown & Brown's can thus be attributed to the inclusion of fixed costs.

The addition of fixed costs in the Brown & Brown report is also reflected by comparing your fiscal 2020 MLR with the Brown & Brown MLR. Brown & Brown reported a fiscal 2020 MLR of 96.5%; a 2.5% difference with the 94% MLR you provided. Taking into account rounding, this 2.5% difference accurately reflects the fixed costs that Brown & Brown adjusted for; data that your attached charts do not account for.

FY 2018 & FY 2019 Discrepancies: Fixed Costs

On page two of the letter, you provide MLRs for fiscal 2018 and fiscal 2019 that are slightly lower than the MLRs Brown & Brown reported:

"The Partnership Plan did have an MLR over 100% in Fiscal Years 2018 (102.8%) and 2019 (106.2%) before a legislative change was passed to address regional cost disparities that were impacting rates. That change has allowed the plan to establish county-based rates which are projected to result in an MLR that continues to be below 100%. Regional rate adjustments were first applied to new groups in Fiscal Year 2020 and phased in for existing groups beginning in Fiscal Year 2021. Fiscal Year 2022 will be the first year in which the regionally adjusted premiums will be fully applied across the entirety of Partnership Plan participants. The MLR through six months of FY 2021 is 86.7% and is projected to remain below 100% moving forward."

A quick comparison of your MLRs and the Brown & Brown MLRs reveal a difference that can reasonably be attributed to the addition of fixed costs:

Fiscal Year	OSC MLR	Brown & Brown MLR (before rebate)	Difference
2018	102.8%	105.2%	2.4%
2019	106.2%	108.4%	2.2%

The differences here portray an average difference of 2.3%; the same administrative cost percentage that you reported using for fiscal 2022.

FY 2022 Projection Discrepancies: Independent Audit Needed

On page two of the letter, you provide a brief summary OSC's projected MLR, medical trend, administrative costs and surplus for fiscal 2022:

"The projected Partnership Plan MLR for Fiscal Year 2022 is projected at 96.6%. This projection uses normalized claims that anticipate a return to normal claim levels and a 6% medical trend. Administrative costs project to be 2.3%, leaving a projected 1.1% surplus. 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% surplus as a healthy margin. For reference the state plan typically has an MLR of around 97% to 98%."

On page five, you attach a report by Segal that states that projects a base fiscal 2022 premium of \$561,836,00. This estimate is different than that of the Brown & Brown estimate. For example, on page 7 of the report, Brown & Brown estimates that the 2020-2021 premium is \$519,381,924. In their opinion, the expected, or suggested, premium needed to cover claims and fixed fees for the plan in fiscal 2022 is \$615,850,417; a difference of \$53,990,417 from Segal's projection.

In conversations with Brown & Brown, it was made clear that their recommended 2020-2021 premium was calculated by using a conservative 8.33% medical trend (or one month of claims), a 1.92% pharmacy trend (or one week of claims), a COVID-19 trend of less than 6%, as well as fixed cost projections. This explains the discrepancy.

Segal also notes on the bottom of page 5 that, "[t]he projections in this report are estimates of future costs and are based on information available to Segal at the time the projections were made. *Segal has not audited the information provided.*" (emphasis added).

Given that: (1) Brown & Brown used your office's data to project a fiscal 2021 premium amount that is needed to cover the plan for fiscal 2022; (2) Segal's projection is \$53,990,417 lower than Brown & Brown's projection; and (3) neither Segal nor Brown & Brown were able to audit the information your office provided, an independent, third-party audit is necessary to accurately inform the Appropriations Committee and the general public as to the fiscal health of the plan.