Conn. advances car leasing, medical mal rate control, state health plan expansion measures

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HARTFORD — Like many other state legislatures, the Connecticut General Assembly has been preoccupied with budget matters. As a result, few non-budget bills have surfaced for actual votes.

Last week it came down to the wire for industry lobbyists hoping to gain some victories as the House and Senate were scheduled to adjourn on Wednesday, June 4.

Lawmakers in both branches did pass bills opening the way to sales of tax-advantaged Medical Savings Accounts and opening the door of the state's own group health plan – known as the Municipal Health Insurance Program — to small employers.

The state Senate unanimously passed a bill eliminating corporate liability for most auto leases as long as lenders are heavily insured. The House passed similar legislation this session, but House lawmakers only had a day or so to approve a compromise bill, or it would die. Under the proposed legislation, companies leasing passenger vehicles for more than one year could not be held liable for damages as long as the car carries $100,000 of bodily injury insurance per person and $300,000 per occurrence. Tractor-trailer leases would need to carry at least $2 million insurance.

In a late session surprise, the Senate did address medical malpractice although it skirted the most controversial tort reform aspects. The Senate passed a bill requiring state approval for malpractice insurance rates and placing caps rate increases for some specialists. But it leaves until next session the issue of limiting how much injured patients can receive in damages. The bill's passage just before 3 a.m. set up a race for approval in the House before adjournment. Under the Senate legislation, insurance companies could not raise rates for obstetricians, gynecologists, and neurosurgeons more than 10 percent until 2004. The state could approve increases that exceed that cap.

An attempt by insurers to exclude terror coverage from the Standard Fire Insurance Policy fell short as lawmakers opted to send the issue to study. Since 9/11, insurers and states have been grappling with how to insure against terrorism losses. Some states are moving to exempt terror losses from the Standard Fire Insurance Policy which is commonly used to define basic coverages for homes and businesses. Instead of approving the terrorism exclusions in both homeowners and business policies, the Insurance and Real Estate Committee's decided to require the Insurance Commissioner to study the implications of excluding terrorism coverage. In public hearings, committee members expressed reluctance to exclude terrorism coverage from personal lines policies but appeared somewhat open to excluding it from commercial policies given more study.

Commercial deregulation legislation, backed by insurers but opposed by agents, also failed this session.

Expanding State Health Plan

Searching for ways to ease the health insurance woes of small businesses, the Senate and House passed a measure (SB 353) to open up the state employee health plan to small employers. This legislation would allow certain small employers and community agencies to participate in the Municipal Health Insurance Program, which is referred to as MEHIP.

In 1996, the state opened the state employee health insurance plan to municipal employees. Since that time, other groups have been added to the program. The bill defines a "small employer" as any person, firm, corporation, limited liability company, partnership, or association actively engaged in business for at least three consecutive months that, on at least 50% of its working days during the preceding 12 months, employed no more than 50 employees, half of whom must be employed in the state. A small employer includes a self-employed individual.

Health insurance agents and other business lobbyists had opposed expanding the state plan because, they said, it will not help small businesses. Paul H. Mikkelson, president of Dill, Joyce & Thresher, testified that MEHIP will not lower medical insurance costs, and in fact will increase costs for a number of small employers. Over the last year and one half, he said, his agency has quoted 19 MEHIP plans for non-profits. In every case the MEHIP rates were higher compared to the incumbent's renewal rates. Only one risk switched to the state plan.

Dennis H. Kay, representing Connecticut Benefit Brokers, pointed out that only three out of seven major insurers providing health coverage to small groups in Connecticut are currently able to participate in MEHIP.

Anthem Blue Cross & Blue Shield, the Connecticut Business & Industry Association and several local Chambers of Commerce opposed SB 353 claiming that MEHIP will not lower medical insurance costs, and in fact will increase costs for a number of small employers.

As of March 2003, there were 118 different groups participating in MEHIP, covering over 10,000 members. The state estimates that there are 91,000 employers with 50 or less employees, who employ approximately 521,000 persons. These figures from the Department of Labor do not include the self-employed. ❒