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Responses to Questions from Appropriations Budget Hearing, March 2026

State Partnership Plan:

1. **How does the usage rate for the SEHP differ by age?**

The data below reflects Calendar Year 2025 claims experience for non-Medicare State and Partnership members combined. However, this information is not yet mature, as claim data is only available for services paid through January 2026.

	Membership		*Medical*				*Rx*			
Age Group	*Members*	*% of Members*	*Total Cost*	*% of Total Cost*	*Claims*	*% of Claims*	*Total Cost*	*% of Total Cost*	*Claims*	*% of Claims*
Under age 18	*46,022*	*21%*	*$248,725,177*	*12%*	*53,023*	*14%*	*$30,472,752*	*6%*	*15,793*	*7%*
Age 18-29	*40,532*	*19%*	*$232,431,430*	*11%*	*50,759*	*13%*	*$50,645,787*	*10%*	*24,841*	*11%*
Age 30-39	*25,924*	*12%*	*$226,848,160*	*11%*	*47,034*	*12%*	*$53,042,704*	*11%*	*21,478*	*10%*
Age 40-49	*32,791*	*15%*	*$321,568,272*	*15%*	*63,042*	*17%*	*$88,180,889*	*18%*	*37,037*	*17%*
Age 50-64	*64,647*	*30%*	*$897,881,778*	*43%*	*144,275*	*38%*	*$239,271,927*	*48%*	*105,725*	*48%*

Age 65+	*8,614*	*4%*	*$177,130,346*	*8%*	*22,112*	*6%*	*$37,868,186*	*8%*	*16,981*	*8%*
Total	***218,530***		***$2,104,585,163***		***380,244***		***$499,482,245***		***221,854***	

2. **What is the Partnership Plan's reserve amount used/current balance?**

As of 2/27/26 the account balance for the State Partnership Plan 1.0 is -$9,699,907.92 and for the State Partnership Plan 2.0 is -$23,921,699.02. These balances reflect all health carrier invoices paid for services through 2/15/26 and premiums collected to date through February 2026. Negative account balances are being incorporated into the fiscal year 2027 rate renewal to replenish these losses.

3. **How does the float work, i.e. how are claims paid if the reserve is depleted?**

The plan is accounted for in legal fund 34003 (Funds Awaiting Distribution), which is fiduciary in nature. This fund is also used to account for other programs as well as a type of holding account. This is a non-budgeted fund with no commitment control, which means that vouchers/invoices can be paid out of the fund even if the specific SID used to track the transaction/program runs a negative balance. When any individual SID within this fund goes negative, other monies accounted for within this fund can be used to continue payment until the program with the negative SID is made whole, either through collection of fees or other means. In other words, the fund as a whole stays positive and will support any shortfall within a SID until it is resolved.

4. **What is the current MLR?**

For the period July 2025 through December 2025 the medical and prescription claims plus estimated administrative expenses are running at 97.6% compared to the SPP 2.0 premium collected.

5. **What is the expected premium increase?**

Preliminary rate calculations as of 2/27/26 reflect an approximate 12% increase for active employees and 10% for retirees.

6. **How are the plans being structured (regionalization)?**

Regional adjustments are made to the rates based on a review of the Anthem area factors by county as well as the State and Partnership 2.0 per member per month costs by county. Premium rates for non-state public employers are reset on July 1 and will be

based on the entire pool's experience combined with the regional rate adjustment by county. The monthly premium rates are posted by county and are guaranteed from the original date of coverage to the end of the current fiscal year. Regional adjustments effective July 1, 2026 are:

County	Regional Adjustment
Fairfield	1.0%
Hartford	-0.5%
Litchfield	-0.5%
Middlesex	0.0%
New Haven	-1.5%
New London	-1.0%
Tolland	1.0%
Windham	-3.0%

7. What is the procedure for a member to leave the Partnership Plan?

The attached sample contract includes details on the termination policy for the State Partnership Plan. After three years of participation groups simply need to provide our office with ninety (90) days' notice. Parties leaving the plan will be responsible for an administrative service fee to accommodate the payment of runout claims. The fee for Claims Runout Services will be equal to the product of the following calculation: the Base Administrative Services Fees (currently $41.60) in effect at the time of termination of their agreement multiplied by (the greater of (1) the total of the last 3 months of Subscriber enrollment; or (2) the average of the last 6 months of Subscriber enrollment) multiplied by 3.

8. What is the current level of funding for OPEB broken down between state employees and teachers?

State Employees' Other Post Employment Benefits Plan -

The latest actuarial valuation performed on the State Employees' Other Post Employment Benefits Plan (OPEB), prepared as of June 30, 2025, puts the funding ratio of the plan at 18.2%, which is up from 16.2% last year.

State Teachers' Retirement System Retiree Health Insurance Plan -

The latest actuarial valuation performed on the State Teachers' Retirement System Retiree Health Insurance Plan (OPEB), prepared as of June 30, 2025, puts the funding ratio of the plan at 9.9%, which is up from 7.4% last year.

Historical information on the funding ratio (as well as other information) of both plans can be found in the Requires Supplemental Information section of the State's Annual Comprehensive Financial Report (ACFR), available on OSC's website. Reports » Office of the State Comptroller » State of Connecticut

Retirement Services:

9. **What are the costs and fees for contracting with a Medical Examining Board (MEB)?**

The Medical Examining Board is not a traditional contract. Rather, it is composed of per diem physicians appointed to serve as independent medical decision makers on disability retirement applications. These physicians are compensated on an hourly basis for medical record review, hearing attendance, and preparation of written determinations.

Historically, MEB physicians were compensated at $100 per hour. In 2022, due to significant recruitment challenges, particularly in psychiatry and other specialty areas, the hourly rate was increased to align with the State's standard per diem physician rate. Current compensation is $195 per hour for physicians in most specialties and $225 per hour for psychiatrists.

The MEB conducts bi-weekly hearings. Each hearing panel consists of three physicians. Physicians are compensated for time spent reviewing case files in advance of hearings, attending hearings, participating in executive session deliberations, and preparing written findings.

Total MEB expenditures over the past five fiscal years are as follows:

- FY 21: $184,250
- FY 22: $174,250
- FY 23: $292,486
- FY 24: $489,671
- FY 25: $475,819

The Board met 11 times in FY 23 and 19 times in both FY 24 and FY 25. Based on total annual expenditures divided by the number of meetings, the average cost per meeting was approximately $26,590 in FY 23, $25,772 in FY 24, and $25,043 in FY 25.

In practical terms, each biweekly MEB meeting costs about $25,000. At 19 meetings per year, total annual costs are approximately $475,000.

This represents an increase of over $300,000 annually compared to FY 22 levels. The increase is attributable to higher hourly compensation rates, increased meeting frequency to reduce backlogs, and growth in disability claim volume and complexity.

Importantly, these increased expenditures have occurred without a corresponding increase to the Retirement Services Division's Personal Services budget. As a result, MEB growth has directly reduced the Division's ability to fill other authorized staff positions.

While these expenditures have been necessary to address longstanding disability determination delays, the current model remains resource intensive. Each case is reviewed by three physicians, regardless of specialty alignment, and average claim review time remains several months under the existing structure.

10. What is the breakdown for spending on the MEBs outside the agency?

The State does not currently contract with an external Medical Examining Board. All disability determinations are conducted through the internal MEB structure described above. Accordingly, 100 percent of current MEB expenditures represent internal per diem physician compensation funded through the Office of the State Comptroller's budget.

The current annual cost of operating the internal MEB is approximately $450,000 to $475,000, driven primarily by:

- Hourly physician compensation
- Preparation and record review time
- Bi-weekly three-physician hearing panels
- Increased meeting frequency to reduce backlog

Because the current model is structured around panel-based hearings, costs scale with the number of meetings rather than directly with the number or complexity of cases. Each additional meeting adds approximately $25,000 in expense.

In light of these structural costs and continued processing delays, the Division is proposing a $100,000 pilot program to test the feasibility of outsourcing the initial medical review of disability claims to a qualified third-party administrator.

Under the existing model, three physicians collectively review each case, often outside their specific area of subspecialty. In contrast, an outsourced model would assign each claim to a single board-certified specialist directly matched to the applicant's medical condition. Claims would also undergo nurse-led clinical triage prior to physician review, improving file completeness and review efficiency.

The proposed $100,000 allocation represents approximately 20 percent of current annual MEB expenditures and less than half of the annual cost increase experienced since FY 22. The pilot is designed to determine whether a specialty-matched, single-reviewer model can:

- Reduce duplicative physician hours
- Convert a meeting-based fixed cost structure into a more efficient case-based model
- Shorten claim determination timelines
- Reduce backlog without adding additional $25,000 meeting increments
- Stabilize long-term costs

In summary, there is currently no external MEB spending. All costs are internal and have grown significantly due to structural features of the panel-based model. The requested pilot funding is intended as a disciplined, limited evaluation of whether a more efficient outsourced review structure can reduce long-term reliance on expanding internal per diem physician expenditures while improving service delivery to members awaiting disability determinations.

Budget:

11. What is Connecticut's pension funding ratio and how does it compare to other states?

State Employees' Retirement System -

The latest actuarial valuation performed on the State Employees' Retirement System (SERS), prepared as of June 30, 2025, puts the funding ratio of the plan at 61.5%, which is up from 55.7% last year.

Although the funding ratio of the SERS plan has been improving over the last several years, it is relatively low when compared to other states based on available data for fiscal year 2024. Funding ratios for all states ranged from roughly 46% to 102%, with Connecticut falling in the lower portion of that range, with several states trailing. Below a 60% funding ratio is considered weak, and SERS has exceeded this level recently thanks in large part to additional contributions made above the ADEC.

State Teachers' Retirement System -

The latest actuarial valuation performed on the State Teachers' Retirement System (TRS), prepared as of June 30, 2025, puts the funding ratio of the plan at 63.7%, which is up from 62.3% last year.

The funding ratio has a similar comparison to other states as the SERS plan.

Historical information on the funding ratio (as well as other information) of both plans can be found in the Requires Supplemental Information section of the State's Annual Comprehensive Financial Report (ACFR), available on OSC's website. Reports » Office of the State Comptroller » State of Connecticut

12. Can you provide specifics as to why the ADEC requires an additional $5 million?

During the first year of the biennial budget process, information known at the start of the two-year period are used to determine what the costs will be for the actuarily determined employer contribution (ADEC) for the first and second year. These factors include, among others, demographics of plan members, plan provisions, economic assumptions, expected rate of investment returns, and experience. As we move through the first year of the budget and actual information related to these factors is updated, the ADEC typically changes as well, resulting in either a decrease or increase in the second year of the biennial budget for these updates. In the case of this year, and additional $5.4 million is needed to cover the $1.9 billion ADEC for fiscal year 2027.

It should also be noted that the total ADEC for the SERS plan has actually decreased by roughly $91.0 million from fiscal year 2026 to 2027.

In addition to the individual actuary reports, historical information on the ADEC (as well as other information) of the plan can be found in the Required Supplemental Information section of the State's Annual Comprehensive Financial Report (ACFR), available on OSC's website. Reports » Office of the State Comptroller » State of Connecticut. These schedules also include information on the assumptions used by the actuary to determine contribution rates.

If you have any further questions, do not hesitate to reach out to my office.