

May 10, 2012

To: The Honorable Christine Kehole

 The Honorable Mimi Walters, Vice Chair

 Members, Senate Appropriations Committee

SUBJECT: OPPOSED - Senate Bill 1431 (DeLeon) – Loss of Cost Control Tool for Small Employers

Dear Senate Appropriations Committee:

As a broker representing self-insured employers, I am OPPOSED to SB 1431 (DeLeon), as amended April 9, 2012 and May 1, 2012, as this severely restricts smaller employers the opportunity to self-insure their health benefit plans, by unreasonably restricting the availability to purchase stop loss policies.

A \$95,000 specific and \$19,000 per person aggregate policy is FAR too much risk for a smaller to take, and would force small employers to purchase higher cost fully insured plans.

Self insurance is a cost effective option for employers offering benefit plans. My clients have been self-insured for many years, and if this bill passes, plans like theirs may have to be terminated due to the inability to purchase adequate stop loss policies. If this happens, each of those employers would have to simultaneously pay run-out claims (claims incurred during the plan year that are paid after the plan year, or in this case, after plan termination), in addition to purchasing a fully insured plan. In essence, they would be paying double for approximately 6 months. This would be unaffordable to most of them, and many other employers. My clients are trying to do the right thing by offering a good health plan to their employees. These types of bills could force them to simply stop offering health care to our employees, which would INCREASE the number of uninsureds, rather than decrease them.

In addition, I believe that this bill is in violation of the preemption provisions of ERISA, and this bill definitely looks as though it invites an ERISA challenge. The Appropriations Committee should also consider the cost of a lawsuit if this bill passes.

Sincerely,