SELF-INSURANCE INSTITUTE OF AMERICA, INC.
Protecting and Promoting Self-Insurance and Alternative Risk Transfer Since 1981.

Oppose California SB 1431

Proposal Would Restrict Smaller Employers from Self-Insuring Health Benefits

Key Talking Points

Legislation Makes for Bad Public Policy:

Rapidly escalating costs for group health plan insurance premiums have hit smaller employers disproportionally hard.

There is limited competition in California's health insurance marketplace. The only real cost containment alternative to dropping coverage altogether is self-insurance.

While self-insurance may not be the appropriate option for all employers (particularly smaller employers) to provide health benefits for their employees, many smaller employers are in fact good candidates to sponsor self-insured group health plans.

The availability of medical stop-loss insurance is a requirement for most companies to sponsor self-insured group health plans.

SB 1431 would restrict the terms stop-loss insurance policies sold to smaller employers in California in a way that would deter them from self-insuring.

By effectively blocking the ability of smaller employers to self-insure, more will be forced to either pay higher costs or drop coverage.

Legislation is Likely Preempted by Federal Law:

In addition to the fact that the legislation makes for bad public policy, it is likely preempted by the Employee Retirement Income Security Act (ERISA), exposing the state to litigation should the bill be passed into law.

Stop-Loss is NOT a Health Insurance Product

Stop-loss is contractual liability coverage – reimburses the small business for high-cost claims

Small businesses, not stop-loss policies, are legally responsible for all claims payment

Small businesses, not stop-loss policies, responsible for all claims denial challenges

Stop-loss policies have no part of plan design or plan changes

Stop-loss does not meet the PSHA definition of health plan – legal and regulatory precedent