



October 19, 2009

The Honorable Harry Reid  
Senate Majority Leader  
United States Senate  
S-221, United States Capitol  
Washington, DC 20510

Dear Majority Leader Reid,

I write on behalf of the members of the Self-Insurance Institute of America (SIIA) and the 75 million Americans who receive their healthcare coverage through employer-sponsored, self-insured health plans. We wish to comment on the efforts to apply the proposed commercial insurance market reforms on self-insured health plans.

I would like to take this opportunity to further inform you on the numerous Federally regulated consumer protections currently available to beneficiaries of self-insured health plans. We strongly believe that the direction of healthcare reform should target fixing what is broken - runaway costs, lack of access to quality coverage for those outside the employer-system and a lack of quality care and transparency in pricing - not on a sector of the delivery system, (the Employer-Based Health System) that is working well for sponsors and beneficiaries. Specifically, major changes to the operation of self-insured plans would increase costs for plan beneficiaries. These costs must be passed on to plan users as self-insured plans are non-profit and have no profit margin to absorb them. Finally, these additional costs and burdensome requirements would lead to many plan sponsors to simply drop their plans altogether, thus severely limiting one's ability to "choose" to keep the coverage they like.

Regulations Regarding Preexisting Conditions and Guaranteed Coverage Eligibility:

For decades, commercial insurance carriers have had the ability to deny coverage to potential consumers of individual insurance based on their preexisting medical condition. The inverse is true for employer-sponsored group plans, including self-insured plans. These plans may only temporarily delay coverage under specific limited conditions. An employer may not exclude an employee from their plan based on health status, claims experience or a disability. Coverage eligibility for a new hire may be delayed for a maximum of 12 months (reduced by the number of days the new hire has had coverage) *only* if within 6 months of the time of hire, any medical advice, diagnosis, care or treatment has been recommended.

Beneficiary's Remedies and Required Plan Standards:

Like beneficiaries of state-regulated, commercial insurance plans, those covered by self-insured plans have remedies and recourses available. There are procedures in place, through the U.S. DOL and Federal courts, for beneficiaries of self-insured plans for appealing denied claims, including procedures for an immediate emergency review. There are fiduciary and solvency standards that plans must comply with that help ensure that there are funds available to pay beneficiaries' claims. There are also disclosure requirements that maintain that beneficiaries must receive copies of benefit statements and summary plan descriptions.

Continuation of Coverage:

Through COBRA, there are procedures for continuation of coverage for those who lose their job and do not have access to another employer plan. COBRA requires that employers offer these former employers coverage identical to that offered to current employees. Employers are prohibited from charging more than 102% of employee contributions. Currently, subsidies of 65% are available under the American Recovery and Reinvestment Act of 2009.

For the last 35 years, self-insured health plans have covered hundreds of millions of American workers and their families with a successful record of ensuring that the consumer protections of beneficiaries of these plans are maintained. Self-insured plans offer comparatively generous plans with the flexibility to target benefits to the wants and needs of their workforce. Self-insured plans, which by Federal law must act as non-profit entities, are established solely to provide an employee benefit. Factors such as uniform administrative requirements and proficient regulation make self-insured plans a significantly more cost-efficient and affordable coverage vehicle. For these reasons, we have very strong concerns that placing additional requirements on self-insured plans would unnecessarily drive up costs – likely forcing many employers to end their plans and have their workers without the “choice” of their desired current coverage.

I am hopeful that the points I have raised serve as a basis for opposition for any attempt to apply the proposed commercial insurance market reforms on self-insured plans. Please call me or SIIA's Manager of Government Relations, Jay Fahrer, at 202-463-8161 if you would like to discuss in more the detail the current regulation of self-insured, employer-sponsored plans.

Thank you in advance for your attention and consideration in this important matter.

Respectfully,



Mike Ferguson  
Chief Operating Officer  
Self-Insurance Institute of America (SIIA)