

# CALIFORNIA ADVOCATES, INC.



April 19, 2012

The Honorable Kevin De Leon  
Member, California State Senate  
State Capitol, Room 5108  
Sacramento, California 95814

*Ralph F. Simoni*

*Michael D. Belote*

*Julianne A. Broyles*

*Dennis K. Albiani*

**SUBJECT: SENATE BILL 1431 (DELEON)--SMALL EMPLOYER: HEALTH  
COVERAGE-ELIMINATION OF COST CONTROL TOOL - OPPOSE  
SENATE HEALTH COMMITTEE  
SCHEDULED FOR HEARING: APRIL 25, 2012**

Dear Senator De Leon:

*Robert G. Walters  
of Counsel*

The California Association of Health Underwriters regrets we must **OPPOSE** your **SB 1431**, as amended April 9, 2012, that severely restricts ability of small employers in California to self-insure for health care coverage by unreasonably changing limits and requirements of stop loss policies.

The California Association of Health Underwriters (CAHU) is the state's largest association of health insurance agents, brokers and other health insurance industry professionals. Our members help millions of individual Californians and businesses evaluate, select, purchase and use their health care coverage plans, resulting in greater health and financial security. CAHU agents and brokers also act as advocates for policyholders and their families when coverage disputes arise. CAHU agents and brokers perform many functions for small employers with respect to managing their employee benefits program-at no additional cost to the small employer.

As amended, **SB 1431** proposes to make it nearly impossible to provide reasonably priced stop-loss insurance for small employers--most notably by requiring the small employer to bear an unreasonable level of claims costs before stop-loss coverage applies. Self-insurance combined with stop loss coverage for excessive, unexpected claims, frequently offers the best option for small employers seeking to find any way to provide affordable health coverage for their employees.

CAHU is concerned that **SB 1431** forces small employers to take on significantly increased risk that is not actuarially supported. For a small employer to take on \$95,000 of risk per person will have no other result than to force small employers to purchase fully insured plans. The unfortunate consequence will be that small employers will be forced to either pay higher costs or drop coverage all together.

In addition, **SB 1431** bars stop-loss carriers from providing direct coverage of an employee's health claims. CAHU is concerned that SB 1431 unreasonably halts the ability of small employers with limited resources to find at least some way to finance their employee health care coverage and mandate instead that they purchase a fully insured health insurance group policy.

925 L Street, Suite 1250 Sacramento, CA 95814

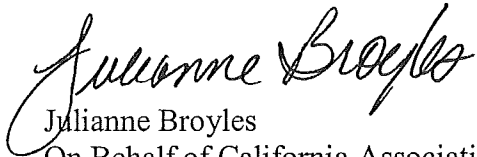
phone: (916) 441-5050 fax: (916) 441-5859 email: mail@caladvocates.com

The Honorable Kevin De Leon  
**SB 1431 (De Leon) – OPPOSE**  
April 19, 2012  
Page 2

CAHU believes **SB 1431** takes away a critically important financial tool used by small employers to make prudent choices to control costs of providing health coverage. If a small employer wishes to finance their employee health coverage through self-insurance that includes purchasing actuarially appropriate stop loss policies, CAHU believes they should be allowed to do so.

We are available to discuss our concerns regarding **SB 1431** with you and your staff at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Julianne Broyles". The signature is written in a cursive, flowing style.

Julianne Broyles  
On Behalf of California Association of Health Underwriter

cc: Office of Governor Brown  
Members, Senate Health Committee  
Katie Trueworthy, Committee Consultant  
Joe Parra, Senate Republican Caucus