



May 17, 2012

TO: Members, California State Senate

FROM: California Association of Health Underwriters
Independent Brokers and Agents of the West
National Association of Insurance and Financial Advisors-California

**SUBJECT: SENATE BILL 1431 (DELEON)--SMALL EMPLOYER: HEALTH
COVERAGE-ELIMINATION OF COST CONTROL TOOL - OPPOSE
SENATE THIRD READING**

The California Association of Health Underwriters (CAHU), Independent Brokers and Agents of the West (IBA West) and the National Association of Insurance and Financial Advisors of California (NAIFA California) are **OPPOSED** to **SB 1431 (De Leon)**, as amended May 1, 2012. Our organizations are concerned that **SB 1431** severely restricts ability of small employers in California to self-insure for health care coverage by unreasonably changing the limits and requirements of stop loss policies.

SB 1431 would require a minimum specific stop-loss deductible of \$95,000 per person, and an aggregate attachment point of \$19,000 per individual for employers with 50 or fewer employees. This means that a small employer would have to incur \$95,000 in per claim per employee costs before being able to seek reimbursement from the stop-loss carrier.

Our organizations are concerned that **SB 1431** proposes to make it nearly impossible to provide reasonably priced catastrophic 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.

As written, **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 of **SB 1431** is that small employers will be forced to either pay higher costs or drop coverage all together.

Members, California State Senate

SB 1431 (De Leon) – OPPOSE

May 17, 2012

Page 2

In addition, **SB 1431** bars stop-loss carriers from providing direct coverage of an employee's health claims. Our organizations are 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.

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, our three organizations believes they should be allowed to do so.

For these reasons and more, CAHU, IBA West and NAIFA California must respectfully oppose **SB 1431 (De Leon)** and urge a “**NO**” vote when the measure comes before you for consideration.

Please do not hesitate to contact us if you require further information: Juli Broyles (CAHU) at 916-441-5050; John Norwood (IBA West) at (916) 447-5053, or Shari McHugh (NAIFA California) at (916) 930-1993.

cc: Office of Governor Brown
The Honorable Kevin De Leon
Katie Trueworthy, Senate Health Committee
Joe Parra, Senate Republican Caucus