



Senate Bill 703

Health Insurance - Medical Stop-Loss Insurance - Small Employers

MACo Position: **OPPOSE**

To: Finance Committee

Date: March 4, 2015

From: Michael Sanderson

The Maryland Association of Counties (MACo) **OPPOSES** SB 703. This bill would make numerous changes to state standards for self-insured employer-paid health care offerings. Among other changes, the bill mandates all employers, including local governments, to establish a minimum attachment point of \$40,000 accepted by the employer as its claims retention. This requirement, and other components of the bill, would interfere with reasonable policies employed by some county governments.

Currently, county governments (like other comparably sized employers) have various options in offering health insurance coverage for employees. Some choose to purchase full insurance policies and work with one or more conventional carriers to offer coverage, while others self-insure and procure administrative services only from a carrier. For those that elect to self-insure, they can set the parameters of their coverage, based on the claims risk they are willing to assume directly. Numerous county and municipal governments have formed the Maryland Local Government Health Cooperative, to aggregate their buying power to provide benefits of self-insurance to smaller government units. With these several options, each jurisdiction is empowered to make the arrangements that best suit the needs of the government and employees, through a publicly accountable process.

SB 703 would set an arbitrary state minimum attachment point – meaning any self-insured employer (including a county) would be obligated to retain risk of the first \$40,000 in claims, a higher attachment point than some counties currently use. This would undermine the county's flexibility (by forbidding a lower risk retention), and would press more counties to assume greater claims risk if they chose to remain self-insured. MACo opposes this intrusion into local matters. Other components of the bill present similar, though lesser, concerns.

SB 703 imposes a new standard for health insurance on county governments, and removes their local flexibility in choosing their coverage structure. For these reasons, MACo **OPPOSES** SB 703 and urges an **UNFAVORABLE** report.