



## Self-Insured Groups of 51-100 Support HB 4050A

### Self-Insurance for Small Groups

Small groups in Oregon (2-50) are prohibited from self-insuring for their health insurance. The prohibition is actually on reinsurance.

HB 2240, passed in 2013, brought Oregon's insurance code into alignment with the federal Affordable Care Act (ACA). One component of the bill expands the definition of "small group" from 1 – 50 to 1 – 100 (Section 59 \*see below) beginning in January 2016.

### Small Groups Banned from Stop-Loss Coverage

When a group self-insures, it buys stop-loss coverage to protect itself against catastrophic, high-cost claims. Under Oregon law (ORS 742.065 (3) \*\*, small groups are prohibited from purchasing stop-loss coverage or reinsurance, which in essence prohibits them from self-insuring.

Beginning in 2016, when the definition of small group expands to include groups of 51-100, the prohibition on self-insurance will expand as well.

Oregon is one of only three states (New York and Delaware are the others) that prohibit small groups from purchasing reinsurance.

### Groups of 51-100 should be able to keep what is working for them

A number of businesses in Oregon with 51 to 100 employees are currently self-insured. Many have been self-insured for 15 or 20 years.

**Lower Costs** – Self-insured companies have found a way to save money on health insurance while still providing comprehensive coverage for their employees.

*Stagecraft Industries* used the savings when they had a very good year to give employees a bonus. *AIMCO* used savings (\$592,000 over 14 years) to subsidize premiums, allowing them to still offer their employees a \$500 deductible plan for \$100 per month. *VetSource* set up an employee emergency fund.

**Claims data** – self-insured plans know how their health plan is being used, so they can tailor it to encourage generic Rx, discourage ER usage and/or see the impact of a wellness program. Fully-insured plans give businesses none of that information.

**Employer engagement** – Businesses that self-insure are those that want to be intimately engaged in the design of their insurance plan:

- *Cascade Health Solutions* has a 24/7 nurse line and free health-risk assessments.
- *The Children's Clinic* added alternative care (chiropractic, acupuncture and massage) in response to an employee survey.
- *AIMCO* hired a nurse to coordinate care for an employee who was dying of leukemia.

\***HB 2240 (2013)** SECTION 59.(30)(a) "Small employer" means an employer that employed an average of at least one but not more than [50] **100** employees on business days during the preceding calendar year, the majority of whom are employed in this state, and that employs at least one eligible employee on the first day of the plan year.

\*\***742.065** (3) An insurer shall not issue or deliver to a small employer, as defined in ORS 743.730, a policy of insurance against the risk of economic loss assumed under a less than fully insured employee health benefit plan.

## **Examples of self-insured groups:**

**AIMCO**, last year named by the Mayor as “Portland’s Manufacturer of the Year”, has saved \$592,000 over the past 14 years by self-insuring for its health coverage. This has allowed them to continue offering individual coverage, with great benefits and a \$500 deductible for just \$100 per month and full-family coverage for \$500 per month. The employer and its employees are both engaged in keeping everyone healthy.

**Cascade Health Solutions**, a non-profit provider of occupational health, hospice, diabetes education and mental health services in Eugene, switched to partial self-insurance in 2010. They were able to keep the same benefit package while reducing premiums by 20%. Their self-funded plan provides a 24/7 nurse line, free health risk assessment, biometric testing and lifestyle coaching. Through self-insurance, the company can see the direct results of their wellness programs. If 75% of their employees complete a health risk assessment and biometric screening, they receive an 8% discount on their premium.

**Stagecraft Industries** in North Portland has been self-insured for 25 years. They have an older workforce with very low turnover. Many of their employees have been there 20 to 30 years. Being self-insured has helped them keep premiums lower and allowed them to tailor their plan to their employees’ needs. When they recently had a very good year in terms of health insurance claims, they used the money left in their self-insurance account to pay bonuses to workers.

The reduced costs for self-insurance allow Stagecraft Industries to pay 70% of the costs for both employees and their dependents.

**VetSource** in East Portland says self-insurance is a great tool for employer and employee engagement. Their rich health care benefit package is a great recruitment and retention tool. Company-specific data gives them the information they need to manage their health-care pool through education, wellness and fitness programs. Working closely with employees allows them to keep costs down and makes it financially feasible for the company to pay 70% of the cost for employees and their families.

**The Children’s Clinic** in west Portland has been self-insured for six years. Self-insurance gives them the flexibility to customize their health plan based on the needs of their employees. The clinic added acupuncture, chiropractic and other alternative services after a company survey showed that’s what employees wanted.

Last year, The Children’s Clinic priced fully-insured products to see how the costs compare. They learned that their maximum exposure being self-funded cost less than the premiums for commercial insurance. And, of course, any savings during a year can be reinvested in the company.

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