



The District's Dime

Going Beyond the Budget Book

The DC Fiscal Policy Institute blog
www.dcfpi.org

October 29, 2014

DC Adds Health Insurance Protections for Workers In Small Businesses

By Wes Rivers

The DC Council took an important step yesterday to make sure that people who work for small businesses in DC have affordable and comprehensive health insurance envisioned by Obamacare, rather than a skimpy plan that is bad for workers and risky for their bosses. At the heart of it, the bill creates disincentives for small businesses to self-insure, which makes health insurance options less risky and higher quality for employees.

Small businesses that choose to provide health insurance can offer a plan or set of plans through DC Health Link, the District's health exchange, or they can self-insure. Self-insurance means that instead of purchasing a health plan from an insurance company, an employer creates a fund to pay for employee health expenses directly.

Self-insurance is incredibly risky for small businesses, especially for those who have employees with high health needs. So some small businesses buy insurance plans known as "stop-loss" – which cover a business's health expenses above a set level for any individual employee.

But self-insurance and stop-loss plans have major problems. To keep costs low, businesses that self-insure often do not provide all of the [essential health benefits](#) required of plans sold through DC Health Link, and they do not have consumer protections such as bans on pricing based on health and tobacco use status. Secondly, self-insurance and stop-loss are unregulated and pose a lot of risk for the small business owners. For example, if a business or employee are denied coverage or payment for a claim, there is no regulatory recourse to solve the issue. This could put the business or employee at high financial risk.

The Council action yesterday was the first vote on a bill to regulate the use of stop-loss plans, making self-insurance less desirable. The bill bans the sale of stop-loss policies to small businesses, unless the small business is providing coverage of basic, essential benefits – like those sold on DC Health Link. Second, the bill requires employers to pay \$40,000 in expenses per employee before stop-loss insurance can kick in. That makes stop-loss policies unattractive, and incentivizes small businesses to shop for more robust, less risky coverage on DC Health Link.

Both of these changes will help ensure that more employees are covered by higher quality, affordable plans. We hope DC Council continues to adopt consumer friendly policies for the private health insurance market and vote to approve this legislation on second reading next month.