



COMMISSION ON RACIAL EQUITY IN PUBLIC HEALTH

CONNECTICUT GENERAL ASSEMBLY

Level-Funded Plan Fact Sheet

What is a level-funded plan?

- A **level-funded plan** is a type of **self-insured**¹ medical coverage that uses stop-loss coverage.
- Self-insurers cover all medical claims which is difficult for small businesses to do. Typically, only large companies self-insure.
- Insurance companies are marketing level-funded plans to small businesses. The plan relies on **stop-loss coverage** which is a type of catastrophe insurance.
- In level-funded plans, the employer pays medical claims for an employee until a certain threshold which is known as an **attachment point** (similar to a deductible). Once the attachment point is reached, the stop-loss coverage kicks in.

What is the problem?

In a nutshell, healthcare affordability and inequity.

- Companies market level-funded plans to healthy small businesses in order to maximize profit by collecting premiums and avoiding risk.
- Level-funded plans set premiums based on health status so less healthy people and those with disabilities pay higher premiums or are denied coverage.
- Level-funded plans remove healthy people from the marketplace (Access Health CT) driving up costs for those that remain.
- Level-funded plans are meant to keep costs down but in reality are risky junk plans that can leave people underinsured and at risk of medical debt.

In addition, level-funded plans are not required to comply with the federal Affordable Care Act (ACA), meaning members do not have the following protections:

- ❌ Preexisting conditions protections- you can be denied coverage or charged more based on a preexisting condition.
- ❌ Essential Health Benefits² (EHBs) requirement- comprehensive coverage is not required.

¹ When an employer collects premiums and takes on the responsibility of paying medical claims for their employees' and their dependents, this is known as "self-insurance" or as a "self-funded plan".

² [Essential health benefits](#) (EHBs) include hospitalization, doctors' visits, emergency services, pregnancy/maternity care, mental health/substance abuse services, prescription drugs, rehabilitative services, laboratory services, preventative/wellness care, and pediatric services.

Key Policy Recommendations:

Employer Size Limits

- Self-funded plans are best suited for large businesses that have the financial resources to take on the risk of insuring their employees. Self-funded plans and stop-loss policies are highly complex arrangements with significant consequences if not executed properly.
- Insurance companies should be prevented from selling these policies to small employers since small employers often lack the assets needed to rebound from a large claim (or multiple claims).
- CT should join NY in protecting our small businesses by passing legislation preventing insurance companies from selling to employers with fewer than 50 employees.

Attachment Point Increase

- Low attachment points make it easier for small businesses that are unprepared or unable to pay for the medical claims of their employees/dependents to enter into level-funded plan arrangements. Some states have started regulating stop loss insurance policies by increasing the minimum required attachment points.
- Connecticut currently uses the NAIC model attachment point of \$20,000³ – a number that has not been updated since 1999.
- CT should increase the attachment point for the stop loss coverage used for level-funded plans. We recommend an attachment point that is reflective of the cost of a medical emergency.
- Attachment points should be subject to medical inflation increases.



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³ State of Connecticut Insurance Department Bulletin HC-126 on Stop Loss Insurance Policies to Insurance Companies... Licensed in Connecticut to Write Accident and Health Insurance. May 6, 2019.

https://portal.ct.gov/cid/-/media/CID/1_Bulletins/Bulletin-HC-126.pdf