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NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

May 9, 2006

**EXECUTIVE  
HEADQUARTERS**

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The Honorable Michael B. Enzi  
Chair  
Committee on Health, Education, Labor and Pensions  
United States Senate  
Washington, D.C. 20510

Dear Chairman Enzi:

**FEDERAL AND  
INTERNATIONAL  
RELATIONS**

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We are writing in response to your May 2, 2006, request for our review of S. 2510, the Small Employers Health Benefits Program Act, sponsored by Senators Durbin and Lincoln.

The authors of S. 2510 sought the input of the NAIC when drafting their bill and we appreciate their willingness to work with and consider the views of insurance regulators. Like your bill, S. 1955, the Durbin/Lincoln bill does not include the option of self-funded association plans, instead requiring coverage to be purchased from carriers that are licensed in and regulated by the states. This is a significant improvement over association health plan legislation, such as S. 406. The bill would also preserve state rating rules and benefit mandates, thus maintaining state authority over health insurance regulatory policy.

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We are concerned, however, about the practical impact this legislation would have. S. 2510 creates an unlevel playing field by requiring plans sold through the Small Employer Health Benefit Plan (SEHBP) to meet different rating standards than those required of plans not sold through the SEHBP. By setting different rules for different carriers, S. 2510 could create an unworkable market in some states.

For example, if state law allows carriers in the general market to charge small employers with healthier, younger workers significantly less, and the federal law requires carriers in the SEHBP to have only a modest variation in rates, the SEHBP carriers will be selected against. In fact, few carriers would want to participate in this program in states with such rating disparity.

**WORLD  
WIDE WEB**

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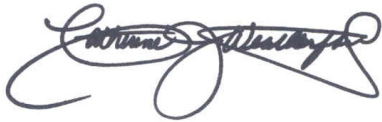
[www.naic.org](http://www.naic.org)

S. 2510 does attempt to ameliorate this problem by providing subsidies for those that participate in the SEHBP. We agree that these subsidies will help, but they are not sufficient. We believe that states are best suited to establish rating rules for all carriers – creating two sets of rules would be harmful to the workings of the small group markets. This could also limit the ability of states to develop innovative programs to address the growing health care crisis.

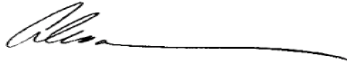
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Finally, both S. 2510 and S. 1955 will not affect the underlying and primary causes of skyrocketing health care costs that are making health insurance increasing unaffordable for millions of Americans. However, we do applaud you and Senators Durbin and Lincoln for your efforts and we hope our dialogue will continue and yield real solutions.

Sincerely,



Executive vice president and  
CEO



Alessandro Iuppa  
Superintendent of Insurance  
State of Maine  
NAIC President



Walter Bell  
Commissioner of Insurance  
State of Alabama  
NAIC President-Elect