



NFIB Vermont
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NFIB.com/VT

March 20, 2026

E. Sebastian Arduengo
Director of Health Insurance Regulation
Vermont Department of Financial Regulation
89 Main Street
Montpelier, VT 05620

Re: Vermont Stop Loss Attachment Points Rule

Dear Mr. Arduengo,

The National Federation of Independent Business (NFIB) represents more than 800 small businesses in Vermont. Our members operate in every industry - from family farms to main street shops - and are typically very small, with 90% employing fewer than 20 people.

NFIB Vermont appreciates the opportunity to comment on the proposed revised stop loss attachment points outlined in Oliver Wyman's analysis of December 2025.

The actuarial relationship between medical costs and stop loss insurance that determine the specific parameters and pricing for a group is distinct from the policy goal of ensuring that stop loss insurance does not become medical insurance. The goal of ensuring stop loss insurance does not emulate medical insurance is accomplished by the thresholds established in the National Association of Insurance Commissioners (NAIC) Model Act 92.¹

We believe the proposed attachment points will unnecessarily add to barriers that small businesses already face in obtaining affordable employee health coverage and will likely result in a net decline in small employer coverage. Rather than further increase barriers to self-insuring, Vermont should return to the NAIC Model Act parameters.

Further, to make health coverage accessible to more small employers, we urge the state to adopt attachment points for all group sizes that conform to the NAIC Model Act standards for groups of 51 or more.

Small Business Health Coverage Challenges. For forty years, the cost of employee health insurance has ranked as the top problem in NFIB's *Small Business Problems & Priorities*, a quadrennial survey of the challenges facing small business owners.² In an NFIB survey,

¹ NAIC Model Act 92 (2002) <https://content.naic.org/sites/default/files/model-law-092.pdf>

² Wade, Oldstone, *Small Business Problems and Priorities, 2024*, NFIB.com, July 2024.

nearly every small business owner who offers employee coverage – 98 percent – is worried that it will become unaffordable in the next five years.

Between 2009 and 2023, the share of Vermont small businesses offering employee coverage declined by more than 20 percent and only one in four small businesses in the state currently offer coverage.³ Most do not because it is unaffordable.

Unsubsidized premiums in Vermont's individual market premiums increased by double or more from 2018 to 2025 and many small group premiums rose by more than 50 percent in the same period. These increases severely limit the ability to offer small group coverage or other health benefits such as an Individual Coverage Health Reimbursement Arrangement.

Meanwhile, over 96% of Vermont employers with more than 50 employees offer coverage.⁴ The largest employers are far more likely to self-insure under regulations established by the federal Employee Retirement Income Security Act (ERISA).

According to the Employee Benefits Research Institute (EBRI), 74% of businesses with more than 500 employees self-insure for health coverage compared to 16% of small businesses and 32% of medium-sized firms.⁵

Small business owners and their employees deserve affordable, flexible coverage options. Health coverage is a crucial benefit for attracting and retaining employees, and the financial impracticality of offering it puts small employers at a competitive disadvantage.

Employees rank health coverage as the most important benefit, ahead of vacation and sick time, and a majority consider it the deciding factor when considering a career move.⁶

Digging a deeper moat around unstable and expensive markets will only exacerbate the challenges small employers face in securing employee health coverage.

Unnecessarily High Attachment Points Are A Barrier. Self-funding is attractive for some businesses because it can offer more control over plan design and costs. If healthcare costs come in lower than expected, employers can achieve significant savings.

Self-funding can carry greater risk than fully insured plans, in which employers largely know their costs for the year ahead of time. Higher than expected claims can result in higher out-of-pocket costs and spikes in stop loss premiums from year to year. Self-funding skeptics often claim this is too complicated for small employers.

However, small employers make complex financial decisions on a daily and weekly basis. They are capable of understanding risk as well as their larger competitors and should have the opportunity to see if self-funding is a viable option for their business.

³ Skinner, Amy, [How Rising Healthcare Costs Caused Small Businesses to Eliminate Benefits](#), TakeCommandHealth.com, accessed 1/26/2026.

⁴ Association of Healthcare Journalists, "A guide to insurance across the U.S.," December 2024, <https://healthjournalism.org/resources/state-insurance-guides/>

⁵ EBRI, *New Research Finds Increasing Number of Self-Insured Health Plans in Small and Medium-Sized Businesses but a Decreasing Number in Large Companies*, [EBRI.org](#), 8/29/2024.

⁶ Kuchno, Kristin, *Health insurance ranks as most-valued benefit among US workers: Indeed*, Becker's Payer Issues, 12/23/2025, <https://www.beckerspayers.com/research-analysis/health-insurance-ranks-as-most-valued-benefit-among-us-workers-indeed/>

Critics of small group self-funding also argue that low attachment points could lead to adverse selection in the small group market and lower value plans for employees. However, research and experience undermine this argument.

RAND modeling conducted prior to the implementation of the Affordable Care Act (ACA) found no “major differences in benefit generosity between self-insured and fully insured plans” and that “adverse selection due to self-insurance is not likely to have a major influence of premium prices in the exchange.”⁷

EBRI’s data supports the conclusion that this type of adverse selection is not responsible for woes in the small group market, with the national share of small employers offering one or more self-insured plan rising only from 13 percent in 2010 to 16 percent in 2023.

Rather, the main driver of higher health insurance premiums is the ever-rising cost of healthcare. Limiting the ability to self-insure does not reduce premiums in fully insured markets, it just hurts small employers’ ability to manage costs and maintain coverage.

When attachment points are set unnecessarily high, risk is unfairly shifted from insurance companies to small groups. High attachment points force small groups to cover more claims, leading to stop loss policies that are prohibitive or of lower value for small groups and potentially more financially lucrative for large insurance companies.

Table 5 of the Oliver Wyman report shows small groups of 25 employees or less largely cluster (87%) at the minimum individual stop loss attachment point (\$40,000 per individual) required for groups of that size. This may indicate – along with far lower thresholds in most other states – that Vermont’s current rules are an unreasonably high threshold for small group risk transfer in self-insured arrangements.

Vermont Is Already An Outlier. As highlighted in the Oliver Wyman report, Vermont’s stop loss attachment point rules are out of step with most other states. Between 22 and 24 states do not set minimum attachment points in law. Roughly a dozen more states set minimum attachment points at levels similar to or below the NAIC model.

At least two states have equalized attachment points for small and large groups. Minnesota applied the NAIC large group model to all businesses in the state; Rhode Island did the same but with a slightly higher aggregate attachment point (120%) of expected claims.⁸

NAIC has rejected attempts to increase the model thresholds, including a proposal to raise the individual attachment point to \$60,000 in 2012.⁹ Opponents successfully argued that unnecessarily high attachment points and rising fully insured premiums would lead to an overall decline in the number of small employers offering health insurance coverage.

⁷ Eibner, et al, “Employer Self-Insurance Decisions and the Implications of the [PPACA],” RAND, 5/25/2011, https://www.rand.org/pubs/technical_reports/TR971.html

⁸ MN Statutes Sec. 60A.235, R.I. Gen. Laws § 27-8.2-3.

⁹ Etherington, Lerner, *NAIC defers action on stop loss insurance attachment points*, Troutman Pepper Locke, 2/27/2013, <https://www.lexology.com/library/detail.aspx?g=39d2b967-c993-4de0-bd09-a16c73ebfb04>.

Conclusion. Unnecessarily high minimum stop loss attachment points are a barrier to small employers obtaining quality health coverage for their employees and put them at a competitive disadvantage with large businesses.

Higher minimum attachment points have not stopped premiums from rising dramatically in the health insurance markets that serve small businesses and their employees. In fact, premium increases in Vermont have significantly outpaced the national average since the state first departed from the NAIC's minimum attachment points.¹⁰

Higher premiums and a lack of flexibility harm the ability of small employers to offer employee health insurance coverage, which in turn makes it harder to attract workers.

Respectfully, we urge the state to take the following steps to improve access and opportunities for small employers in Vermont:

- return to the minimum stop loss attachment points in NAIC Model Act 92; and
- equalize the attachment points for small and large groups.

Thank you for the opportunity to comment and for considering our members' perspective.

Sincerely,



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¹⁰ According to data from KFF State Health Facts, from 2017 through 2024, the [average annual family premium per enrolled employee for employer-based health insurance](#) increased by 40% and the [average individual market benchmark plan premium](#) increased by 93%. In comparison during the same period, the national average employer-based family premium increased by 31% and the average individual benchmark premium increased by 33%.