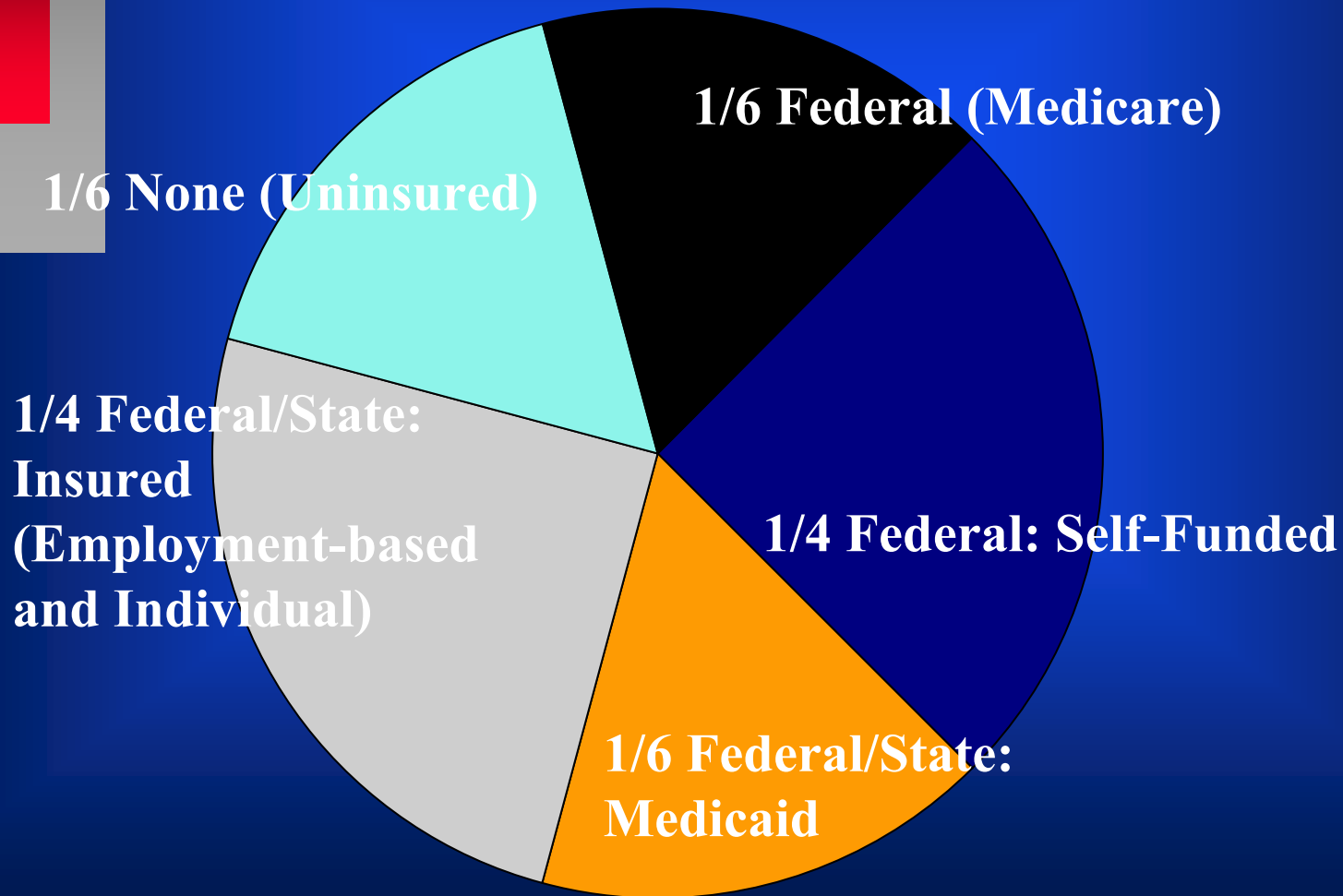




Does (State) Law Matter?
State Mandates and Market Exit

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Sources of Regulatory Oversight



Why Self-Insure?

- **Response to Inefficient Regulation**
 - **Diversity of Terms across states or Terms as Such?**
 - **State v. Federal Regulation**
 - ▲ = (State-Federal)
 - **Law in Action v. Law on the Books**
 - **Does Behavior Track LCD?**

Why Self-Insure?

- **Path Dependence**
 - **All for One, One for All?**
 - **Industry-Specific Patterns**
 - **Mining, Manufacturing, Transportation, Wholesale**

**Follow the Crowd or
Unionization?**

Why Self-Insure?

- **Coasean Firm: Make or Buy?**
 - **Size: Claims Variance or HR Capacity?**
 - **Do TPAs and Stop Loss change the dynamics?**
 - **Why are we in this Business, Anyway?**

Why No Effect From 1996 Federal Laws?

- 1. Newborns' Act: Passed 9/29/96 – but effective 1/1/98, for all plans effective after that date v. 29 states by 12/31/96, all overlaid on significant regional variation in treatment patterns.**
- 2. HIPPA: Passed 8/21/96, with similar pattern for effective date.**
- 3. Mental Health Parity: Similar Pattern**

Implications

- **How ERISA is interpreted directly affects the stakes (▲)**
- **Harmonization of State Terms Will Dampen Exit/Self-Funding, Regardless of Inefficiency of Default Terms**
- **States Can Do Dumb Things with Relative Impunity**