



# Navigating Indiana Senate Bill 3: A Guide for Employer-Sponsored Health Plans

## Introduction: The Shifting Landscape of Health Plan Accountability

For small and medium-sized businesses in Indiana, managing employee health benefits is a significant responsibility. These benefits are a cornerstone of employee well-being and a major operational cost. Recent legislative changes in Indiana, specifically Senate Bill 3 (SB 3) enacted in 2025, are set to profoundly impact how employer-sponsored health plans are overseen and administered. This whitepaper will explore the implications of SB 3, clarify its scope, and discuss the critical role of fiduciary responsibility in optimizing your health plan.

## Indiana Senate Bill 3 (2025): Reinforcing Accountability

Effective July 1, 2025, Indiana Senate Bill 3 represents a crucial step towards greater transparency and accountability in the health insurance ecosystem. The core intent of this legislation is to mandate that certain service providers, primarily Third-Party Administrators (TPAs) and Pharmacy Benefit Managers (PBMs), operate under a fiduciary duty when serving health and welfare plans.

### What Does SB 3 Do?

- **Establishes Fiduciary Duty:** SB 3 legally obligates PBMs, TPAs, and similar plan service providers to act in the \*best financial interest\* of the plan sponsor (your business). This goes beyond a “suitability standard” to a higher legal obligation of putting your plan’s interests first.
- **Applies to Employer-Sponsored Group Health Plans:** The law is specifically designed to enhance oversight for group health plans offered by employers within Indiana.
- **Mandates Disclosure and Standards of Care:** Service providers are now required to disclose their compensation and any potential conflicts of interest. They must also adhere to specific standards of care, ensuring their actions are prudent and in the best interest of the plan.

### What SB 3 Does NOT Do (and Why It Matters for ERISA Plans)

It’s crucial for businesses to understand where SB 3’s reach ends. If your business operates a self-funded health plan governed by the Employee Retirement Income Security Act (ERISA), you are generally not directly subject to Indiana Senate Bill 3.

- **ERISA Preemption:** ERISA is a federal law that typically “preempts” state laws that relate to the administration of self-funded benefit plans. This means that Indiana generally cannot impose fiduciary standards on TPAs or PBMs for self-funded ERISA plans because ERISA already establishes federal oversight for these relationships.
- **A Model for Stronger Contracts:** While not directly applicable, SB 3 can serve as an excellent model for businesses with ERISA plans to build stronger contractual accountability into their agreements with TPAs and PBMs. You can proactively incorporate similar fiduciary-level requirements into your contracts.

## The Debate: Why Agents and Brokers Opposed Fiduciary Inclusion

An interesting aspect of SB 3’s journey was the opposition from the insurance industry’s distribution system, including agents and brokers. Initially, the bill proposed including insurance agents and brokers under the fiduciary standard. However, strong lobbying efforts, notably from organizations like the National Association of Life Companies (NALC) and Big I Indiana, led to the successful removal of brokers and agents from these fiduciary provisions through Amendment 17.

Their core argument centered on their long-established role as facilitators of product sales and placement, not as fiduciary advisors. They prefer the “suitability standard of good faith and fair dealing,” which is distinct from the fiduciary standard that demands always acting in the client’s *\*best interests\**, avoiding conflicts of interest, and maintaining complete transparency.

## Understanding the Difference: Suitability vs. Fiduciary

**Suitability Standard:** Requires that a product or service be “suitable” for the client’s needs. This is a common standard in sales, where the focus is on matching a product to a customer’s stated requirements.

**Fiduciary Standard:** Requires acting with undivided loyalty and in the *\*sole\** interest of the client, putting the client’s interests *\*first\**. This includes avoiding conflicts of interest and full disclosure. It implies a deeper level of responsibility and expertise.

## Why This Distinction Matters for Employers

The insurance industry’s position, as articulated during the legislative process, often suggests that employers, as plan sponsors, possess “complete discretionary authority” and therefore don’t need additional fiduciary resources. However, this perspective overlooks a crucial point:

- **The Duty to Act Wisely:** As emphasized by the Department of Labor (DOL), an employer’s “discretionary authority” comes with a *\*duty to act wisely and with expertise\**. If an employer lacks this specific expertise in complex health plan administration, they are expected to seek professional assistance.
- **Beyond Discretion:** Employers don’t typically need help with their inherent authority to make decisions; they need expert assistance in the *\*process\** of making those decisions wisely, prudently, and free from conflicts of interest.
- **Brokers as Valued Partners, Not Fiduciaries:** While brokers, agents, and insurance advisors are invaluable partners in accessing insurance markets and discussing risk management, the final version of SB 3 explicitly excludes them from fiduciary obligations. This means, despite their helpful role, they are not legally bound to act as your fiduciary.

## KBIC Consulting: A Fiduciary–First Approach to Insurance Advisory

The evolving regulatory environment, coupled with the inherent complexities of health plan management, highlights the growing need for specialized, conflict-free guidance. KBIC Consulting has been a pioneer in this space, operating as a fiduciary insurance advisory firm since 2010.

- **Fee-Only and Independent:** Unlike traditional brokers who often earn commissions from insurance product sales, KBIC Consulting operates on a transparent, fee-only model. This eliminates conflicts of interest, as their compensation is not tied to specific product placements.
- **Direct Accountability:** KBIC is directly accountable to employers and their employees, serving as a true fiduciary.
- **Fiduciary Role:** KBIC functions as an extension of your team, often described as a “Vice President of Internal Insurance Operations.” Their services include evaluating program design, scrutinizing costs, assessing broker/advisor performance, and developing risk strategies – all within a fiduciary framework.
- **Collaborative Model:** KBIC works collaboratively alongside your existing brokers, ensuring that the insurance process prioritizes value and economic performance for your business.
- **Relieving the Burden:** For businesses grappling with the cost, complexity, or opacity of their insurance programs, KBIC assumes fiduciary and settlor duties that would otherwise fall on the shoulders of busy CEOs, CFOs, or HR professionals. This allows your team to focus on core business activities while expert guidance ensures waste reduction, compliance, and decisions aligned with shareholder and employee interests.

### Why Choose a Fiduciary Insurance Consultant?

KBIC Consulting’s model aligns perfectly with the spirit and intent of SB 3. By partnering with a fiduciary insurance consultant, plan sponsors are empowered to make informed, conflict-free decisions in an increasingly intricate insurance and healthcare landscape. While aspects of the insurance industry may resist this shift, a fiduciary approach represents the future of responsible and effective insurance management. It provides business leaders with the confidence that their health plans are managed with the utmost care, scrutiny, and in their absolute best interest.