

Association Health Plans

Promoting Access to Quality, Affordable Health Insurance

AHPs will offer valuable benefits to small employers and their workers. AHP legislation pending before Congress will provide small businesses and other association members the opportunity to band together through trade and professional associations to purchase affordable health benefits, giving them the *greater bargaining power, economies of scale, and administrative efficiencies* currently enjoyed by large employer and union plans. AHPs will level the playing field *and provide greater access to health insurance for workers.*

- ✓ **Lower Costs:** CBO has estimated that small businesses obtaining insurance through AHPs save an average of 13%, and as much as 25%, on premiums.
- ✓ **Increased Coverage:** CBO estimates that the number of insured small firm employees and dependents could increase by as many as 2 million.
- ✓ **EBSA Can Do the Job:** EBSA currently administers ERISA, protecting approximately 2.5 million private, job-based health plans and 135 million workers, retirees and their families. Of these, 300,000 plans covering 78 million individuals are self-insured, and therefore are subject exclusively to EBSA oversight.
- ✓ **No Cherry-Picking:** Both the House and Senate bills include numerous provisions designed to ensure that AHPs pool together a diverse range of health risks to prevent AHPs from “cherry picking” the healthiest workers.
- ✓ **No Exclusion for Previous Claims:** The legislation makes clear that AHPs will have to comply with HIPAA, prohibiting group health plans from excluding high-risk individuals with high claims experience. AHPs must offer all available options to all employers and individuals in the association.
- ✓ **Fair Premiums:** The legislation limits AHPs’ ability to vary the premiums of lower and higher-cost employers.
- ✓ **Strong Protections Against Fraud:** Only *bona fide* associations, which are in existence for three years for purposes *other than* providing health insurance, can operate an AHP. A self-insured AHP must represent a broad cross-section of trades and businesses or industries. AHPs must offer coverage only to employers and individuals with specified, meaningful connections to the association.

- ✓ **Preserves States' Insurance Protections:** The AHP legislation preserves important traditional state prerogatives to regulate the business of insurance, ensuring that insurance policies purchased by AHPs will still be subject to state solvency standards and rating rules; important consumer protections such as prompt pay laws, external review, and marketing guidelines; and disease specific benefit requirements of the state where the policy was initially approved.
- ✓ **Effective Enforcement:** There will be little risk of fraud in AHPs. The Department will allocate the resources necessary to effectively oversee AHP's conduct. AHPs must be sponsored by bona fide associations, governed by independent boards, and certified by the Department as meeting the strong solvency and other protections in the legislation before offering benefits to a single worker. The Department would monitor the finances of self-insured AHPs, and could shut down any problem AHPs early, so no benefits would be lost. In addition, by providing quality, affordable insurance, AHPs would reduce the vulnerability of small businesses to fall victim to insurance fraud.
- ✓ **Bipartisan Support –** In the 108th Congress, the House of Representatives twice passed the legislation with strong bipartisan support. In the 109th Congress, the bill has been reintroduced on a bipartisan basis in the House, and will likely be passed by the House in the next few months. The bill has also been introduced in the Senate, where it has been cosponsored by a bipartisan group of Senators, including Small Business Committee Chair Snowe (R-ME) and Appropriations Committee Ranking Member Byrd (D-WV).