



Issue Summary

Association Health Plans

The National Association of Health Underwriters opposes proposals to create Association Health Plans (AHPs) that are exempt from state-mandated benefit laws. NAHU is also actively opposed to sham and unfunded or under-funded Multiple Employer Welfare Arrangements (MEWAs). Many MEWAs have failed across the country and have proven detrimental to consumers. AHP proposals, which are often confused with MEWAs, have evolved dramatically over the years, and many solvency provisions with AHPs appear to be designed to prevent outcomes similar to those of unfunded MEWAs.

NAHU remains concerned that AHPs, which would not be subject to state-mandated benefit laws, would have a pricing advantage over the fully insured small group health insurance markets already operating in the states. This pricing advantage could have a negative impact on reforms already passed at the state level and existing small employer markets.

Under the structure of current proposals, AHPs could enter a market with a low-price plan designed only to attract healthy groups, leaving small employer groups with bad medical experiences and high claims in the existing small group market. This type of adverse selection could result in the demise of the traditional small group health insurance market in a state.

However, after several years of claims, all AHPs would be forced to increase rates to cover the increasing costs of health care, as all traditional insurers nationally have been forced to do. Some AHPs, in fact, may become higher in cost than coverage that might have been available outside the AHP.

If the initial adverse selection caused by the AHP resulted in traditional carriers leaving a state's small group market, employers that chose coverage through the AHP and then decided to leave the plan due to increasing rates may have no remaining health insurance choices. This scenario could be avoided if all players in the market were subject to the same rules—a level playing field.

NAHU is also concerned about AHP proposals that would make coverage available to one-person groups on a guarantee-issue basis. Allowing business groups of one to purchase guarantee-issue group coverage has proven disastrous to small group markets in the states that have tried it, due to adverse selection by those with health conditions. Allowing one-person groups to purchase AHP coverage will prove equally problematic, increasing the likelihood of plan failure and resulting in significant cost increases for all AHP participants.

NAHU believes all health insurance benefit mandates increase the cost of coverage, and we would prefer that small employer plans were exempted from such requirements. Unless Congress is willing to preempt state laws and exempt all small employer plans from state-mandated benefit laws, we feel that all plans in the small employer market, including AHPs, should play by the same rules to encourage competition and maintain a healthy, level playing field.

AHP proposals do not maintain that level playing field and, unless this changes, we cannot support measures that would provide mandated benefit exemptions for AHPs.