

# Association Health Plans

*An appealing solution could lead to a small-group market disaster*

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While many in Washington, D.C., claim that Association Health Plans (AHPs) will provide much-needed relief to the small-business community, NSBA contends they actually will make the situation worse. AHPs would allow national associations to sell health insurance to their members outside the purview of current, existing state laws.

Federal AHPs would be given the authority to circumvent state laws, and could therefore make their plans very unattractive to less-healthy populations. Through product design and pricing techniques, AHPs would build insurance programs that are attractive and very affordable to younger and healthier populations, while the products available to older and sicker populations could be very costly. These insurance schemes would leave the less-healthy population in the state-regulated markets, and eventually without insurance altogether as the state markets implode due to adverse selection.

AHPs assume that bulk purchasing in health care is the answer, which simply is not the case. A pool of 1,000 people with an average age of 40 could demand (and receive) a much better rate than a pool of 50,000 people with an average age of 55. Moreover, when a plan is negotiating reimbursement with providers, a local hospital or physician will be driven by how many patients the plan will bring them. A local plan with a total of 100,000 lives will be able to drive a much better deal than a big national plan with five million lives, only 15,000 of which are local.

A study released in June 2003 by Mercer Risk, Finance and Insurance Consulting found that, over a short period of time, premiums for those outside the AHP market would increase an additional 23 percent and lead directly to one million uninsured on top of the 45 million currently uninsured in the U.S. The minimal price savings reaped through AHPs would come from depleting benefits that are currently mandated by the states. Furthermore, the Congressional Budget Office found that of the estimated 4.6 million people expected to participate in AHPs, only 330,000 people, or one in 14, would be newly insured. Clearly, AHPs are not the solution.

Most states have created laws and regulations to curtail risk-selection, but not all have. AHP legislation would enable a plan to domicile in states that allow these practices, thereby allowing them to use those states' rules (or lack thereof) in the rest of the country. The state insurance commissioners would not have the authority to enforce their rules in their own states on plans offered by an out-of-state AHP.

Most importantly, AHPs do nothing to address the fundamental factors driving health insurance costs. Not one provision in the AHP legislation makes any mention of cost containment. Contrary to the rosy picture painted by AHP proponents, NSBA fears this legislation would only serve to dig the small-business health market even deeper into a hole of adverse selection.

Despite AHPs' inability to move in the Senate in the 109th Congress, there are still some pushing for their passage. The Democratic-led Congress will spur proponents to seek compromises and alternatives, and it is important that the problems of AHPs not be included in any iteration of the bill.

*NSBA supports real answers to the ongoing health care crisis. Small businesses deserve effective reform that focuses on individual responsibility, quality care, improved technology and appropriate incentives.*