

April 24, 2003

The Honorable John A. Boehner  
House Education and Workforce Committee  
Longworth House Office Building 1011  
Washington, DC 20515-3508

Dear Chairman Boehner:

On behalf of the 65,000 companies represented by National Small Business United, I would like to call your attention to our concerns about current Association Health Plan (AHP) legislation. This legislation could have lasting negative implications for many small businesses.

The Small Business Health Fairness Act of 2003 (H.R. 660) would allow national associations of employers or individuals to offer health coverage to their members at a potentially reduced cost. However, we urge you to consider the circumstances that would make this possible.

The minimal savings through AHPs would come primarily from risk selection and dividing the market between the healthy and the unhealthy. The CBO has estimated that only 1 in 14 AHP participants would be newly insured. Furthermore, the expected transfer of health plan participants from existing plans to AHPs would create an increase in premiums for 80% of small businesses.

The insurance industry competes based largely upon each company's ability to attract better (healthier) participants. AHPs are likely to fall into that same pattern and build insurance programs that are unattractive to older and sicker populations. This risk selection would lead to a drastically segmented market, with the healthy population gaining health care at a cheaper rate and the unhealthy population slowly watching their insurance premiums increase out of reach.

Many states have created laws and regulations to prevent medical underwriting, however not all have. This bill would enable AHPs to domicile in a state that allows this practice, and allow them to use that state's rules in the rest of the country. It is safe to assume that many AHPs would domicile in states where medical underwriting is allowed – or rating rules are non-existent – thereby circumventing many state laws and opening the door to enormous levels of risk selection.

If this hastened train-wreck is what occurs from AHPs, matters will not be politically or economically sustainable unless Congress embarks on exactly the kind of national mandate setting and market regulation that all 50 states are struggling with right now. We would not welcome such an outcome. We urge you and the Committee to reject H.R. 660 and look for real solutions to the enormous health insurance problems that face the small business community.

I appreciate your time and consideration in this matter and welcome any questions you may have.

Sincerely,

Todd McCracken  
President