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Contact: Amy Hennes
313/596-0367, Fax: 313/964-0531
email: ahennes@detroitchamber.com

DETROIT REGIONAL CHAMBER ENCOURAGES CONGRESS TO REJECT ASSOCIATION HEALTH PLAN LEGISLATION

Chamber supports efforts to reduce costs and expand access

DETROIT, June 13, 2003 – Health insurance costs would increase by an average of an additional 6 percent overall in the small-business market and the number of uninsured would increase by over 1 million if federal legislation regarding association health plans (AHPs) were enacted, according to a study sponsored by the National Small Business Association (NSBA) and conducted by Mercer.

The Small Business Health Fairness Act of 2003 (H.R. 660/S.545), currently making its way through Congress, would allow national trade associations to offer health insurance to members under the Employee Retirement Income Security Act. These plans could be offered across state lines without being subject to state rules and oversight.

According to the Mercer study, the pricing advantage of AHPs is gained through risk-selection, not through administrative efficiency. The state-regulated market would incur price increases of an average of 26 percent, resulting in an overall average increase of 6 percent for the small-business market.

Addressing the rising cost of providing health care is a major priority for the Detroit Regional Chamber, which provides insurance programs to 13,000 of its more than 20,000 members. “We have no doubt that AHP proponents sincerely want to help small firms,” said Detroit Regional Chamber President and CEO Richard E. Blouse Jr., CCE. “But, the unintended consequences would be catastrophic for small businesses.”

For example, in Michigan, 136 associations and chambers of commerce sponsor small group health programs underwritten by Blue Cross and Blue Shield of Michigan. As a result, a higher proportion of Michigan’s population is covered by health insurance than many other states. If AHPs were to operate nationally, many AHPs would select younger, healthier groups while keeping the older, less healthy people in community pools insured by carriers of last resort. As the average age in the insurance pool increases, the use of health care increases and in turn so do insurance premiums. Those who can’t afford the increased premiums or those who cannot find less expensive care leave the pool, and many of them therefore go uninsured. Those that can find coverage often experience subsequent massive rate increases resulting from a significant illness or health episode, making it impossible to continue coverage, or requiring that they go back into the community pools, thereby continuing the cycle of “adverse selection.”

“This study spells out why AHPs represent such a grave threat to millions of small firms struggling to offer health insurance, including many in Michigan” said Blouse.

The bottom line, according to Blouse, is that “if AHPs are adopted the Detroit Regional Chamber will find ways to adapt – most likely becoming an AHP. However, AHPs are bad public policy unless there is a way to control the adverse selection and create a level playing field in the health care market. Our goal is to lower the cost of health insurance and encourage competition. The current AHP legislation fails to achieve both.”

The Detroit Regional Chamber is the largest chamber of commerce in the nation with over 20,000 members representing business both large and small. The Chamber is also a member of the Small Business Coalition for Equitable Health Insurance, a Washington, D.C. based coalition of chambers and small businesses.

The study is available in PDF format at www.nsbaonline.org. For more information on AHPs and the Detroit Regional Chamber, please visit our Website at www.detroitchamber.com.