

# Small Business Coalition for Equitable Health Insurance

**“ Once AHPs were in full operation, total premiums paid annually by small firms and their employees would be approximately \$150 million more than they otherwise would be. ”**

—Congressional Budget Office Report, February 2000

## **What are Association Health Plans?**

The Small Business Health Fairness Act of 2003 (S. 545) would allow national associations of employers or individual professionals to offer health coverage to their members free of virtually all current insurance regulation. Association Health Plans (AHPs) would be a new form of national small-business purchasing pools, run by associations, that would do much more harm than good in the small-group market. The coalition is concerned that AHPs stand to further damage the health insurance market through risk-selection and market segmentation. Furthermore, these federally-legislated insurance programs do nothing to get at the root cause of skyrocketing health care costs.

**The undersigned organizations oppose federal Association Health Plan legislation H.R. 660 and S. 545, and support a fair and equitable insurance market for all small companies.**

- Arizona Small Business Association
- Association of Washington Business
- Council of Smaller Enterprises/  
Greater Cleveland Growth Association
- Denver Metro Chamber of Commerce
- Detroit Regional Chamber of Commerce
- Grand Rapids Chamber of Commerce
- Greater Akron Chamber of Commerce
- Greater Albuquerque Chamber of Commerce
- Greater Cincinnati Chamber of Commerce
- Greater Columbus Chamber of Commerce
- Greater Manchester Chamber of Commerce
- Greater Seattle Chamber of Commerce
- Lansing Regional Chamber of Commerce
- Merrimack Valley Chamber of Commerce
- Metro-Jackson (Miss.) Chamber of Commerce
- National Small Business Association
- North Central Massachusetts Chamber of Commerce
- Northern Ohio Area Chambers of Commerce
- Small Business Association of Michigan
- SMC Business Councils (Pennsylvania)
- Tacoma-Pierce County (Wash.) Chamber of Commerce
- Toledo Chamber of Commerce
- Youngstown/Warren (Ohio) Regional Chamber

# 23%

Increase in premiums for the state-regulated small-business market under AHPs. (Mercer)

# 1M

Numer of uninsured created by AHP legislation. (Mercer)

# 80%

Percent of small employers who will see an increase in premiums with enactment of AHP legislation (CBO)

# The long-term effects of Association Health Plans

## Splinter the Small Business Market, Rather than Bring Purchasing Clout

AHPs could design their own benefit plans in ways that would not be attractive to older and sicker participants, leaving those AHPs with better risks.

Most competition would be over attracting better risks, rather than negotiating lower-cost health care.

Organizations with a younger/healthier population would start AHPs; those with an older/sicker population would not.

AHPs could set rates based upon their own pools. CBO estimates that simply securing better risks for their pools would account for two-thirds of AHP's potential cost advantage. The rest would come from simply eliminating benefits.

The 80 percent of small business employees not participating in AHPs would almost uniformly see their premiums increase (CBO).

Insurance rates would increase in the small-business market by six percent in addition to current increases.

## Leave Consumers Without Sufficient Protections

Self-Insured AHPs would be exempt from all state regulations: solvency requirements, consumer protection rules, and benefit mandates. These AHPs would be placed under the jurisdiction of the U.S. Department of Labor.

Similar organizations, known as MEWAs (Multiple Employer Welfare Arrangements) left at least hundreds of thousands of consumers with untold millions of unpaid claims before being more strictly regulated in 1983. AHP legislation sets the stage for their return.

The Department of Labor clearly has insufficient resources to oversee and regulate these self-insured AHPs.

## Fail to Increase Health Insurance Access

CBO estimates that those individuals switching from another form of coverage to an AHP would outnumber the newly insured by 14-to-1.

A Mercer study found that AHPs would create over one million more uninsured.

CBO estimates that 20 million individuals would face additional rate increases and 10,000 of the sickest individuals would lose coverage entirely.

### MISSION

The Small Business Coalition for Equitable Health Insurance is made up of small businesses and small business representatives that are working toward a fair and equitable insurance market for all small companies. Specifically, we:

**SUPPORT** small business pooling arrangements that can bring real, non-risk-based, cost savings and increased choice for small companies and their employees;

**OPPOSE** Association Health Plan legislation that creates increased segmentation of, and adverse selection in, the small business health insurance market.

### Why not AHPs?

Association Health Plans do absolutely nothing to get at the root cause of increasing premiums - overall increasing costs within the healthcare market. Not one provision in the AHP legislation makes any mention of cost-containment.

The Kaiser Family Foundation's 2003 Employer Health Benefits Survey points to "rapid inflation in the costs for health care services and insurer's efforts to emphasize profitability in their pricing." The study does not point to the ability for small businesses to pool nationally as a means to stop increasing costs, which is the premise behind AHPs.

For more information, visit [www.sbhealthequity.org](http://www.sbhealthequity.org)