



RESOLUTION AGAINST THE FEDERAL AUTHORIZATION OF ASSOCIATION HEALTH PLANS (AHP'S) AS DESCRIBED AND CONTAINED IN THE SMALL BUSINESS HEALTH FAIRNESS ACT ALSO KNOWN AS HR 660 and S. 545.

Whereas, the cost of providing health insurance to employees is a problem for all employers, particularly impacting not only the ability to attract and retain employees but profitability itself; and

Whereas, The Chamber has long supported efforts to address the high number of uninsured individuals in Illinois as well as rising health care premium costs, and

Whereas, 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 and state law enacted to protect patients from adverse selection with a resultant undue burden placed on the country's health care system; and

Whereas, Small businesses would lose protections including solvency requirements, internal-external review policies and the right to appeal a treatment decision; and

Whereas, The legislation would allow AHPs to "skim" off the healthiest clients from traditional plans leaving high-risk individuals in traditional plans with a resultant increase in premiums for those in plans under state regulation; and

Whereas, A study released in June 2003 by Mercer Risk, Finance & Insurance Consulting found that, over a short period of time, this market segmentation would have disastrous consequences on the small business community:

- Overall premiums in the small group market would go up an additional 6 percent.
- Premiums for those outside the AHP market would go up an additional 23 percent.
- These premium increases would create more than 1 million new uninsured.

The minimal price savings through AHPs would come from the healthier participants they would attract – these people would have a 21 percent lower "morbidity" rate – meaning they're significantly healthier than average.

Whereas, The Congressional Budget Office (CBO) in a report on increasing small-firm health insurance coverage through association health plans dated January of 2000 indicates that while the primary source of private health insurance coverage in the United States is employment, most uninsured people are members of families with at least one full-time worker. Uninsured workers are usually employees of small firms (those with fewer than 50 employees) and small firms typically face higher costs for health insurance, which serves as a factor in small firms being less likely to offer coverage; and

Whereas, The CBO notes that there is little direct evidence about the effect of AHP type cooperatives on premiums with several extensive studies noting that premiums for cooperatives tend to be the same as for traditional plans. However, the CBO states that freedom from state regulation and benefit mandates would lower costs, but only for those healthy firms (with lower-than-average expected health care costs). If firms with healthier-than-average employees switched from traditional insurance to AHPs, premiums for traditional policies would rise; and

Whereas, Additionally, that selection effect could be exacerbated by federal requirements enacted in 1996 regarding portability of insurance coverage, which limits exclusions for preexisting conditions when purchasers switch from one policy to another. For example, a firm with healthy employees might purchase a relatively inexpensive policy in the AHP market and then switch back to a traditional plan if an employee subsequently develops a serious health condition; and

Whereas, The CBO further notes that under the assumptions of their economic model, the introduction of AHPs would only increase net coverage through small firms by about 1.3% or 330,000 employees and dependents nationwide. Overall, it is estimated that some 4.6 million people would become insured through AHPs with most of those individuals switching from the fully regulated market to the new plans. On average, premiums paid by some firms that participate in AHPs would be about 13% lower with five percentage points of that reduction coming from the benefit mandate exemption and eight percentage points coming from the expected health costs of firms in the AHP market that are lower than average. The CBO projects that the introduction of AHPs would have only slight effects in terms of lowering the number of uninsured nationwide.

Whereas, Additional burden would be placed on healthcare providers as a result of the ability of AHPs to offer leaner benefit packages. In a most basic example, a pregnant employee or spouse whose benefit package did not include maternity coverage must still be provided health care by a physician and delivery by a hospital, even if unable to meet the financial obligation of such service. Hospitals would be forced to absorb these costs as they currently do for emergency room use and would by necessity need to pass on these costs to traditional premium holders. Physicians unable to pass on these costs would view this as an additional problem to the already significant financial burdens they assume as a result of practicing medicine in Illinois. Additionally, individuals with limited benefit packages may not seek appropriate medical care early in their disease process resulting in increased costs to the system at a later date; and

Whereas, The ability to provide coverage that is not regulated by the state or subject to state benefit mandates would create an unfair advantage for AHPs over traditional insurance providers. Traditional insurance providers unable to bear the sole burden of insuring largely only high risk individuals may well be forced to leave the state limiting competition and availability in Illinois; and

NOW, THEREFORE, BE IT RESOLVED BY THE ROCKFORD AREA CHAMBER OF COMMERCE that we understand the availability and affordability of health insurance is of vital concern to business; however the Small Business Health Fairness Act with its Association Health Plans is not the solution. The Board is concerned that while the intent of the federal legislation is to make health care more affordable for small businesses, it would actually have a negative impact on small businesses, the health care provider industry and the state as a whole by adding unnecessary financial burdens to the system. Cost shifting, premiums and litigation would increase while protections, benefits, providers and the number of insured would decrease.

BE IT THEREFORE FURTHER RESOLVED that The Board believes that the creation of Association Health Plans (AHPs) as set forth in this legislation could well result in 1) increased health insurance premiums for workers in small and large firms, 2) loss of coverage for certain workers with health conditions, 3) an increase in the number of the nations' uninsured, 4) reduction or elimination of critical premium benefits to the detriment of premium payers and health care providers, 5) removal of regulatory and fiduciary oversight for premium holders and 6) creation of an imbalanced competitive market leading to potential loss of healthcare providers in the state.



John Lanpher, Chairman
Board of Directors



Ryan Petty, President
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Approved by the Board of Directors October 28, 2003