

Association Health Plans



Presented by

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To

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Association Health Plans



- Association Health Plans threaten Vermont's health insurance marketplace by splitting a larger risk pool into multiple smaller pools
- Larger pools are more stable
- Segmented pools are more volatile
- Splitting the risk pool allows for adverse selection
 - Association groups will likely be healthier
 - If this happens, the Exchange risk pool becomes smaller and sicker



Factors in Health Insurance Premiums

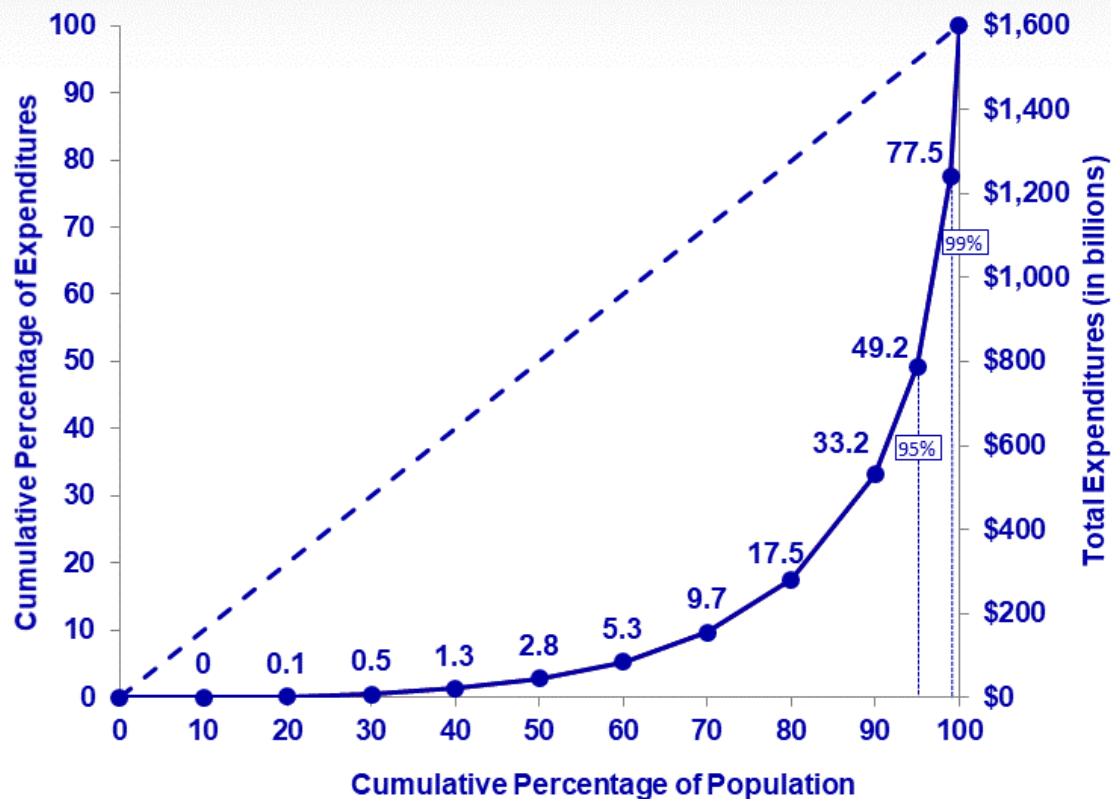


- The Office of the Health Care Advocate is a party to Rate Review cases every year
- At the simplest level, we argue with the carriers over three basic areas:
 - Administrative costs
 - Contributions to reserves
 - Medical expenditures/trend
- Medical trend has the biggest impact on rates





Figure 1. Concentration curve of health care expenditures, U.S. civilian noninstitutionalized population, 2015



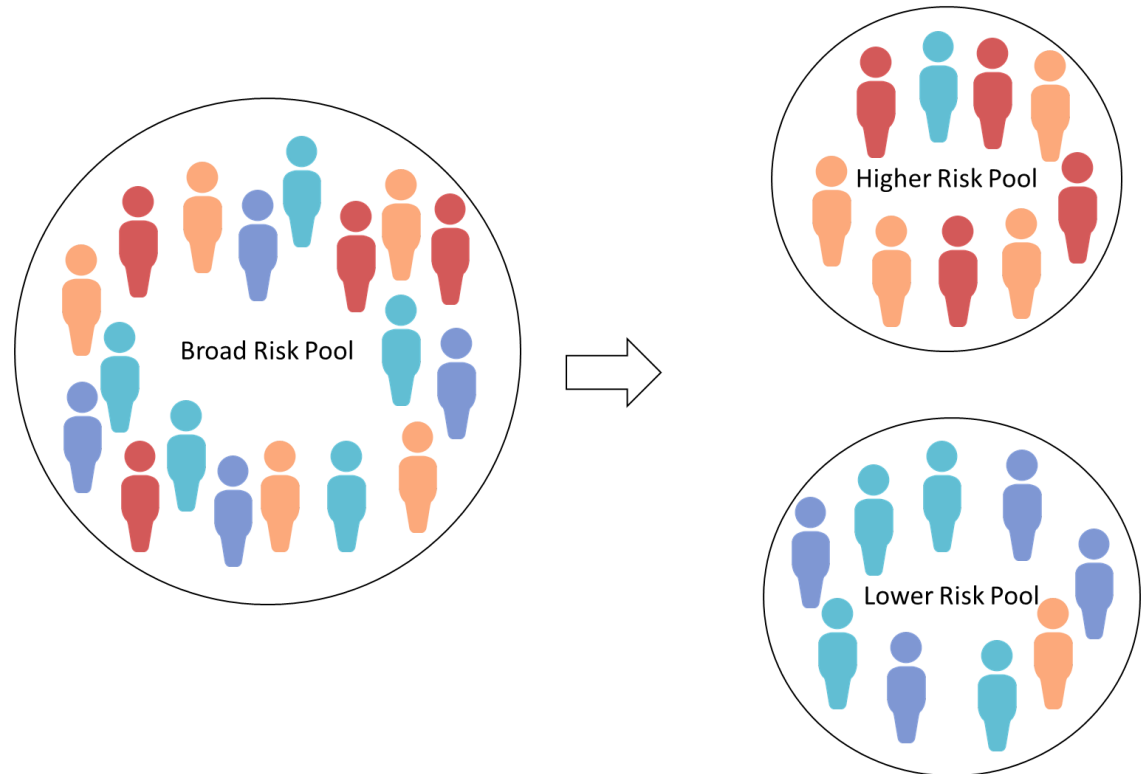
Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Household Component, 2015.





Adverse Selection

Because expenditures are so concentrated, it does not take much cherry picking to have a big impact



How Do Associations Get Healthier Pools?



- AHPs are available to small employers and not individuals
- People who work are healthier on average than people who don't work
- This sorts healthier people from less healthy people
- Associations additionally lock out employers who don't have workers compensation insurance
- This allows them to even more effectively sort healthier people from the riskier population



Do We Know Adverse Selection is Happening?



- AHPs have to provide similar coverage to Exchange plans
- If an association provides lower rates, that means that they have cherry picked a healthier population
 - It is the same math that creates those lower rates in the association, that also increases the rates for the population that is left behind
- This phenomenon can create a “death spiral” for the plans that end up with a sicker pool
 - As prices increase more healthy people drop out, causing additional price increases, until the plan can no longer survive



What Can VT Do to Protect the Market?



- Vermont can regulate AHPs and require them to be rated with the individual and small group risk pool
- The Federal AHP rule and policy memorandum allow state regulation including community rating
- States are protecting their insurance markets by continuing to require association health plans sold to small employers to be rated with small groups
 - VT neighbors Massachusetts, New York, and New Hampshire are among the states regulating AHPs in this way
 - The HCA supports a move to a New York model of regulating AHPs



Additional Issues



- **Brokerage Fees**
 - In the small and individual market, brokers fees can not be blended into the rate. If a small employer wants to hire a broker, they can do so and agree upon a price for that service. In the large group and in the association market, the brokerage fees can be blended into the rates.
- **Risk Adjustment**
 - This is a mechanism that discourages cherry picking. People who move out of the QHP marketplace into the large group are also moving out of risk adjustment.
- **Underwriting Discretion**
 - In the large group, carriers have significant discretion to adjust rates between different large groups.
- **Vermont Essential Health Benefits vs Other State Essential Health Benefits**
 - In the QHP marketplace the definition of EHB is a Vermont definition. In the large group and therefore in the current AHP market, the carriers get to choose any state's EHB. This presents substantial risks to Vermont consumers in years to come.



Citation:

- Federal AHP Rule

<https://www.federalregister.gov/documents/2018/06/21/2018-12992/definition-of-employer-under-section-35-of-erisa-association-health-plans>

Questions?

