

Association Health Plans



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To

Senate Committee on Finance

February 22, 2019



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
 - Smaller pools are more volatile
- Splitting the risk pool allows for adverse selection
 - AHPs are likely to cover healthier people
 - The Exchange risk pool becomes smaller and sicker



Adverse Selection



- The only way an association can provide lower rates is by enrolling a healthier population
 - AHPs have to provide similar coverage to Exchange plans
- When you make coverage cheaper for one group, rates increase for the population that is left behind
 - As prices increase on the Exchange, more healthy people are likely to drop out. As the pool shrinks, a few high cost individuals can have an outsized impact on rates.
- AHPs are only available to businesses
 - Insured small groups are healthier on average than insured individuals
 - Associations can do things like lock out businesses who don't have workers' compensation insurance



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 allows this kind of state regulation
 - Many states are doing this to protect their insurance markets
 - VT neighbors Massachusetts, New York, and New Hampshire are among the states regulating AHPs in this way
 - The proposed bill mirrors New York's regulation of AHPs



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?

