

# **HEALTHCARE REFORM**

## ***ASSOCIATION HEALTH PLANS***

### **Q. What is an Association Health Plan?**

**A.** Legislation is being considered in the U.S. Congress to expand the availability of health coverage for employees of America's small businesses. Legislation would allow employers to join together through associations to buy health coverage under an Association Health Plan (AHP). If passed, this could give employers greater bargaining power, economies of scale and administrative efficiencies.

AHPs allow small business owners, including individuals who are self-employed, to pool together across state lines through their membership in a trade or professional association to purchase health coverage for their families and employees. Associations have been sponsoring health plans for more than 50 years. In fact, in 1990 there were reportedly more than 1,000 AHPs. Today, that number has dropped to fewer than 200 due to the tightening of regulations.

While AHPs currently exist, strict Department of Labor standards exist regarding the types of organizations that may qualify as a single large-group health plan under the Employee Retirement Income Security Act of 1974 (ERISA). The standard stipulates that the association must be a group of employers bound together by a commonality of interest (aside from providing a health plan) with vested control of the association to such an extent that they effectively operate as one employer. This is considered a difficult standard for most associations to meet.

### **Q. What is the benefit of an Association Health Plan?**

**A.** AHPs can provide more choice in the health insurance marketplace by reducing premiums and making health insurance more affordable for almost all association members, from independent contractors to firm owners. The smallest firms stand to save the most from AHPs because their administrative costs, which account for a significant percentage of their expenses, will decrease. Simply put, whether you are a firm owner seeking insurance for your employees or a self-employed independent contractor, an AHP should provide a more affordable health insurance option.

### **Q. Who would be eligible?**

**A.** If enacted, Farm Bureau members and their families should be eligible to participate in the AHP. Small business owners may also offer their employees affordable healthcare options through an AHP.

**Q. If I have a prior health condition, would I be able to participate?**

**A.** Individuals interested in participating in AHPs will be protected under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which means individuals cannot be excluded from enrolling because of health status.

**Q. Will an AHP really make health insurance more affordable?**

**A.** The Congressional Budget Office (CBO) has estimated that small businesses obtaining insurance through AHPs will experience premium reductions of 13 percent on average and up to 25 percent.

**Q. Is this just a way for associations to make money?**

**A.** Farm Bureau is supporting this bill solely to be able to offer a much-needed benefit to members. As a part of proposed legislation it is required that AHPs are held in trust for the exclusive benefit of plan participants, which means that other than defraying reasonable expenses all profits/savings must go to the plan participants and not to the association itself.

## **KENTUCKY FARM BUREAU POLICY**

***Health Insurance***, page 84, lines 52-56

*We reaffirm our support for state and federal legislation that would increase the flexibility for individuals to benefit from Association Health Plans.*

*Associations should be able to provide adequate health insurance. We oppose any action that would impede that ability.*

## **AMERICAN FARM BUREAU POLICY**

***Cost Containment***, page 35

*6.1. We support:*

*6.1.1. Exemptions from mandates for group health insurance programs of associations;*

***Health Insurance***, page 36

*8.1. We support:*

*8.1.1. Small Business Health Plans and voluntary regional insurance purchasing cooperatives, subject to state regulation, to permit individuals and small companies to receive the same price advantages that corporations receive;*