



ESTABLISHING ASSOCIATION HEALTH PLANS

SOME PROPOSALS THAT SEEK TO MODIFY OR REPEAL the Affordable Care Act (ACA) would try to expand the availability of small businesses to band together to offer health insurance through an association health plan (AHP). The success and practicality of such an approach for increasing coverage and reducing premiums would depend on how the rules governing AHPs were written.

If an AHP is allowed to follow the issue, rating, and benefit rules of a single state nationwide, it would impose different rules on carriers in the same insurance markets and portend serious implications for the viability of those markets. For example, if an AHP chooses to establish itself in a state with looser restrictions relative to others, the AHP would be allowed to use that state's requirements in all states, even those with greater regulatory requirements. Non-AHP insurance plans, however, would continue to be subject to each state's requirements. Such a scenario would fragment the market as lower-cost groups would move to establish an AHP and higher-cost groups would remain in traditional insured plans at higher premiums.

If the rules governing AHPs were consistent with those governing traditional insurance, there would be fewer concerns about market fragmentation. The ACA made many of the rules applying to the individual and small group markets uniform. If the encouragement of AHPs

were coupled with an increased flexibility for states to change their issue, rating, and benefit requirements, however, AHPs could threaten the viability of the individual market in states with more restrictive rules. Similarly, if AHPs are allowed to follow the rules applying to large groups, they could avoid the more restrictive rules that apply to the small group market, resulting in market fragmentation and threatening the viability of the small group market.



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