



February 28, 2017

The Honorable Virginia Foxx, Chair
Committee on Education and the Workforce
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Robert C. Scott, Ranking Member
Committee on Education and the Workforce
U.S. House of Representatives
Washington, D.C. 20515

Dear Madame Chairwoman and Mr. Ranking Member:

The U.S. House Education and the Workforce Committee is once again scheduled to consider legislation that would allow a new category of health insurance company, “Association Health Plans (AHPs),” to form and operate outside the authority of state regulators and beyond the reach of proven state consumer protections and solvency laws. This bill, H.R. 1101, would adversely impact consumers and the National Association of Insurance Commissioners (NAIC) urges you to oppose it.

The NAIC, which represents the nation’s insurance regulators, shares the sponsors’ concern for the growing number of small business owners and employees who cannot afford adequate coverage. However, the root cause of this problem is the steadily rising cost of healthcare merely reflected in premiums, and this legislation would do nothing to address that reality. In fact, we fear the legislation could actually *increase* the cost of insurance for many small businesses whose employees are not members of an AHP.

Even more troubling than prescribing a treatment that does not address the underlying disease, the legislation would actually harm consumers by further segmenting the small group market, eliminating critical state consumer protections, and could lead to increased fraud and plan failures. This legislation would encourage AHPs to “cherry-pick” healthy groups by designing benefit packages and setting rates so that unhealthy groups are disadvantaged. This, in turn, would make existing state risk pools even riskier and more expensive for insurance carriers, thus making it even harder for sick groups to afford insurance. In addition, the legislation as written would eliminate all state consumer protections and solvency standards that ensure consumers receive the coverage for which they pay their monthly premium. These protections are the very core of a state regulatory system that has protected consumers for nearly 150 years. As we have already seen in the past when such plans were allowed under federal law, consumers will be left with unpaid claims and nowhere to turn when they are harmed. A prior law along the lines of H.R. 1101 was repealed because it was found to harm consumers; the same mistake should not be made again.

We recognize that supporters of AHPs are well intentioned, looking for solutions to the same problems we are seeking to address, but history has demonstrated that AHP-type entities have done more harm than good to small businesses. A far broader approach to the existing problems – one that addresses healthcare spending, allows more innovation, and permits more state flexibility – is necessary to bring real relief to small businesses. The federal government and the states need to work with healthcare

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