



Representative Tina Pickett, Majority Chair
Representative Anthony DeLuca, Minority Chair
House Insurance Committee

Tuesday, January 21, 2020

RE: Support for H.B. 2200 – Association Health Plans

Thank you, Chairwoman Pickett, Chairman DeLuca, and members of the Committee, for this opportunity to give attention to this important and timely issue. My name is Jezree Friend and I am the senior government relations representative for the Manufacturer & Business Association (MBA). I am here to provide context to my organization's background and involvement with association health plans (AHPs) and why HB 2200 will help alleviate financial burdens for small business employees, their employers, and achieve an agreeable goal to provide health insurance to more Pennsylvanians, some for the first time.

The MBA is a regional employers' association that has been serving our members throughout western and central Pennsylvania since 1905. With offices in Erie, Pittsburgh, and the Harrisburg area, our membership reaches 54 of Pennsylvania's 67 counties including 419 members represented legislatively by members of this committee. Our primary function is to help our members remain competitive and become leaders in their respective industries. Our services include human resource support, legal, professional development and computer training, insurance services, government advocacy, energy advisors, and a conference center among others.

For over 50 years, the MBA assisted our small business members and their employees to aggregate together to provide health insurance as a benefit to their employees in the form of Association Health Plans. These plans were created in cooperation with many carriers, were fully-insured, and at its peak, covered as many as 50,000 lives in Pennsylvania. These plans were discontinued as a direct result of the implementation of the Affordable Care Act.

Health insurance has remained one of the highest costs of doing business for employers. As well intentioned as the drafters of the affordable care act were, we cannot ignore that in the first five years after AHPs were discontinued, 25 percent of small businesses providing health insurance were no longer financially able to provide this benefit and that number has grown. Small employers account for a substantial share of US employees making up 47.5% of the country's total employee workforce.

In fact, small employers often pay up to 18 percent more than large employers to provide health insurance for their employees. This is in part because large employers have the economy of scale to negotiate lower premiums, provider reimbursement rates, administrative costs and often have better, more stable risk profiles. HB 2200 would provide employees of small businesses similar health insurance

options employees of larger businesses enjoy. Very simply, this legislation would allow business with less than 50 employees to aggregate together to form an AHP and purchase health insurance on the large group market the same way businesses with 51+ employees currently do.

Our membership has continually reached out voicing their concerns and looking for relief. Many have said they will no longer be able to financially afford to provide to provide group health insurance as a benefit. As a result, we have seen the younger employees do not purchase health insurance on the individual market and the older employees often cannot afford the costs. The unrelenting group health insurance price tag has increased the risk and number of more Pennsylvanians to go uninsured. Our members want to offer quality coverage the same way the Pennsylvania Insurance Department allows businesses with 51+ employees allow.

Following today's comments I am willing to send many of these stories. For brevity, a manufacturer in Erie County sent me this: "Due to my company's size, my insurer will not renew our coverage. The options I have been presented indicate cost increases between 22% on the low side and 98% on the high side for various ACA plans. The rates/coverage/deductibles of the lower cost plan are inferior to any current coverage. I will be forced to increase my employee contributions by about 30-35%. This has a very negative impact to both my business and the take home pay of my employees."

The MBA has met with several members of this House Insurance Committee as well as Pennsylvania Insurance Commissioner Jessica Altman and her staff regarding stories like this to formulate a workable solution. HB 2200 is that solution and sufficiently addresses any potential concerns brought out from those conversations. I would like to point out a few examples where this legislation is not only acting in good faith to foster bipartisanship by providing employee consumer protections but also allows small businesses to enter competitively priced insurance markets to alleviate financial burdens for their employees and operations.

First, HB 2200 will continue to ensure the affordable care act's regulatory oversight. In fact, by definition, a "group health plan" is subject to consumer protections under an array of federal laws. In effect, HB 2200 is the same type of health plan a large employer offers, subject to the same rules and requirements applicable to a large employer plan.

Second, HB 2200 will provide comprehensive coverage. Small employers — just like large employers — want to attract and retain talented workers and keep their employees healthy and productive. Since they lack the resources and bargaining power of big employers, however, the majority of small employers are unable to offer comprehensive coverage at an affordable price. HB 2200 safeguards to ensure: All employees enrolled in coverage under this policy will be viewed as a single risk pool. Premiums are based on the collective group spreading out the risk to reduce premium costs. Prohibits from varying premiums based on gender. Prohibits from varying premiums based on the health status. And lastly, prohibits from establishing discriminatory rules based on the health status i.e cannot deny coverage based on pre-existing conditions.

Lastly, HB 2200 addresses the concern to prevent fraudulent plans and actors. To note, since 1983 regulatory framework has been in place to prevent this very thing and the ACA, which still maintains regulatory authority established improvements in reporting and stronger enforcement tools designed to reduce fraud and abuse. HB 2200 further provides an outline which an association group looking to participate in these plans must adhere to. These guidelines prevent any fraudulent groups from creating

risky plans and protects employees by ensuring plans are fully insured. This last point is critical to our organization and shared by the Pennsylvania Insurance Commissioner in our discussions.

--End of Comments--

Worth Noting:

In January 2019 the non-partisan Congressional Budget Office analyzed the effects of AHPs. It was determined, once implemented, 20 percent (roughly 1 million people nationally) of those enrolled in health insurance coverage under an AHP will be newly insured for the first time. The study further confirmed AHPs cannot deny coverage for pre-existing conditions, and most importantly, estimates premiums for AHPs will be roughly 30% lower than the premiums employers and their employees currently pay under the “small group market.”

Association health plans are not new to Pennsylvania. In fact, by latest count 30 other states allow association health plans in some form. 10 States that have enacted a law to allow AHPs while 20 have simply provided guidance to allow AHPs.

In fact, what has come to be known as a pathway 1 AHP has always been legal under the ACA they just have not pursued in Pennsylvania. The recent DC District Court ruling in *New York v. Department of Labor* has confirmed this.

As it relates, HB 2200’s companion SB 993 has bi-partisan support. Co-prime sponsored by Senator Brooks, the Senate Banking and Insurance majority chair, was joined his counterpart minority Chairman Senator Street as well as the Senate minority leader Jay Costa, Senator Williams, and Senator Yudicak. With your support, HB 2200 will serve as a bipartisan example of how Pennsylvania supports small business and their employees.