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These health plans create level playing field for small business

By Alfredo Ortiz

In the coming weeks, the Labor Department is expected to release a final rule that will allow the use of association health plans. These plans have the potential to lower health-care costs and increase choices for small businesses and their employees, who have been among hardest hit by rising health-care costs.

The Job Creators Network submitted comments to Labor Secretary Alexander Acosta last week asking him to include two important provisions in the rule. First, treat association health plans in the same manner as single employer health plans. This would allow association health plans to cover employees in multiple states. Second, expand the criteria under which businesses can band together to form association health plans. This will allow association health plans to achieve the scale necessary to deliver lower-cost health care.

Small businesses that form an association health plan in order to provide health coverage to its members should be defined as a single employer. The association health plan benefits program should be regulated under the Employee Retirement Income Security Act in the same manner as health plans maintained by a corporation for their employees. This is a critical provision because it would create a true national market for employer-provided health insurance. Without single employer treatment, association health plans would be subject to the patchwork of state regulations that limit competition, restrict choice and drive up costs.

Eligibility requirements for association health plans should also be broadened. Under the proposed regulation, only businesses that share an industry-specific “commonality” can form association health plans. However, that’s an arbitrary restriction. There is no policy rationale for allowing small businesses in the same industry to save money on health insurance, while other local businesses are left out.

A more sensible interpretation would acknowledge that all small businesses have a common interest in lower health

care costs, and they share the same economic and logistical challenges in finding affordable coverage. We, therefore, urge the Labor Department to define business size as a commonality of interest. Companies with fewer than 100 employees should be permitted to form association health plans regardless of whether they fit neatly into a certain business type.

The high cost of insurance is a massive problem for small business that cuts across industries. For decades it has ranked among the top three problems for small businesses. While more than 98 percent of large firms with more than 200 employees provide insurance for employees, only 61 percent of firms with less than 200 employees do so. Half of all firms that do not provide insurance identify the high cost as the main reason.

ObamaCare has exacerbated the problem. In fact, the number of small businesses with fewer than 10 employees that offer insurance dropped from 35 percent to 22 percent between 2008 and 2015, while firms with 10 to 24 employees offering insurance dropped from 61 percent to 48 percent. The current health-care system favors large corporations that have more buying power and are allowed to operate across state lines.

The forthcoming rule on association health plans would finally level the playing field for America’s 29 million small businesses by creating health-care options that are easier to access because they have fewer restrictions on membership and are less expensive because they escape separate state-based regulations. The Labor Department must quickly rule to expand the scope of association health plans and bring real health-care choices to the small business backbone of the country.

Alfredo Ortiz is president and CEO of the Job Creators Network.