



# Association Health Plans



## What are association health plans?

Association health plans (AHPs) allow small businesses and entrepreneurs to band together with other businesses to purchase insurance with the bargaining power of a big company.<sup>1</sup>



## Who do these plans help?

AHPs can be made available to entrepreneurs, independent contractors, businesses of all sizes, and married business owners who are not eligible for small group health plans.<sup>2</sup> AHPs are likely to help business owners who are currently uninsured because they have been priced out of the individual market, as well as small employers who were previously forced to pay more in the small business insurance market.



## Why would a small business or individual consider joining an AHP?

AHPs could reduce premiums by up to \$10,000 per year compared to the individual market.<sup>3</sup> These plans allow self-employed individuals and married couples who run a business together to join a group health plan, which many would be prohibited from doing otherwise. AHPs allow more flexibility in plan design so small businesses can offer the same kind of benefits as larger companies, lowering administrative costs and freeing up capital to allow businesses to grow and hire more workers.<sup>4</sup>



## Are association health plans a new concept?

While association health plans have existed for decades, new federal rules ease regulations that once discriminated against small employers and self-employed individuals and limited their participation in AHPs. Joining an AHP is now realistic for more businesses which is why up to four million people may join one.<sup>5</sup>



## What does the federal rule change mean for AHPs?

The AHP rule does four primary things:

1. It allows associations to exist primarily for health insurance purposes.<sup>6</sup>
2. It allows businesses that are not in a similar line of work to band together within a state or metropolitan area.<sup>7</sup>
3. It allows businesses to form AHPs even if employees do not live in the same state.<sup>8</sup>
4. It allows married business owners who run a business together to join AHPs for the first time.<sup>9</sup>



## What kind of procedures do AHPs cover?

Association health plans are similar to comprehensive large group or self-insured insurance policies offered by most big employers. AHPs will cover the same types of treatments and procedures covered by those plans.



## What is the estimated premium savings for those that join an AHP?

People coming from the small group insurance market can expect to save as much as \$242 per month, on average.<sup>10</sup> Those coming from the individual market may save as much as \$808 per month, on average.<sup>11</sup>



## What should states do next?

States should remove rules that limit the creation of new AHPs or limit options for existing plans, giving small business owners the ability to choose the most affordable insurance option for themselves and their workers. Rules that limit owners from joining these plans should be eliminated, and financial safeguards should be put in place to protect the people who purchase them.

1. Donald J. Trump, "Presidential executive order promoting healthcare choice and competition across the United States," The White House (2017), <https://www.whitehouse.gov/presidential-actions/presidential-executive-order-promoting-healthcare-choice-competition-across-united-states/>.
2. "The association health plan (AHP) final rule," U.S. Department of Labor (2018), <https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/association-health-plans.pdf>.
3. "Association health plans: projecting the impact of the proposed rule," Avalere Health (2018), [http://go.avalere.com/acton/attachment/12909/f-052f/1/-/-/-/-/Association%20Health%20Plans%20White%20Paper.pdf?nc=0&ao\\_optin=1](http://go.avalere.com/acton/attachment/12909/f-052f/1/-/-/-/-/Association%20Health%20Plans%20White%20Paper.pdf?nc=0&ao_optin=1).
4. Employee Benefits Security Administration, "Definition of "employer" under section 3(5) of ERISA – Association Health Plans, Office of the Federal Register (2018), <https://www.federalregister.gov/documents/2018/06/21/2018-12992/definition-of-employer-under-section-35-of-erisa-association-health-plans>.
5. Ibid.
6. "The association health plan (AHP) final rule," U.S. Department of Labor (2018), <https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/association-health-plans.pdf>.
7. Ibid.
8. Ibid.
9. Ibid.
10. "Association health plans: projecting the impact of the proposed rule," Avalere Health (2018), [http://go.avalere.com/acton/attachment/12909/f-052f/1/-/-/-/-/Association%20Health%20Plans%20White%20Paper.pdf?nc=0&ao\\_optin=1](http://go.avalere.com/acton/attachment/12909/f-052f/1/-/-/-/-/Association%20Health%20Plans%20White%20Paper.pdf?nc=0&ao_optin=1).
11. Ibid.