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Definition of Employer Under Section 3(5) of ERISA-Association Health Plans

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Definition of Employer Under Section 3(5) of ERISA-Association Health Plans

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Submitter Information

Name: Jan Dubauskas

Organization: The IHC Group

General Comment

See attached file(s)

Attachments

IHC - AHP Comments

Association Health Plans – Proposed Rule
Comments
RIN 1210-AB85

On January 4, 2018, the U.S. Department of Labor (“DOL”) issued the Proposed Rule regarding Association Health Plans (“AHP”), seeking comments by March 6, 2018.

We respond on behalf of The IHC Group, a holding company consisting of three insurance carriers, Independence American Insurance Company (“IAIC”), Madison National Life Insurance Company, Inc. (“MNL”) and Standard Security Life Insurance Company of New York

(“SSL”) (collectively referred to here as “IHC”). Although IHC had a history of selling individual and group major medical products, shortly after the implementation of the Patient Protection and Affordable Care Act (“ACA”), IHC exited the market in most states due to the overly burdensome regulatory changes. IHC remains a leader in specialty health products, including Short-Term, Limited-Duration Insurance (STLDI), and retains the actuarial and compliance expertise required to write ACA policies. In these comments, we seek to provide the DOL with information that will assist it to open the marketplace to more insurance carriers, invigorate competition and provide more affordable options to small employers and individuals who may seek to join an AHP.

Affordability

One of the principles of the AHP is to provide more affordable health insurance options to small groups and individuals by making large group medical plans available. At the same time, the balance between the health nondiscrimination rules prevent insurers from rating these small groups according to claims experience, medical conditions, health status and more. A result of the nondiscrimination rule may be that as an AHP has growing claims experience, the premium will rise and healthier groups will seek AHP’s with lower premium costs. Without developing an affordable means to retain the healthy groups, the AHP’s may be at risk of spiraling costs.

Individual Market Impact

While it is likely that some individuals will seek to join an AHP, there is also a great likelihood that an individual will choose to purchase coverage that they feel is appropriate to their need. With the individual mandate penalty eliminated in 2019, it seems more likely that individuals who have greater need for robust health insurance will seek lower cost ACA options, such as an AHP.

Conclusion

While one of the goals of AHPs is to provide more affordable options for small groups and individuals to purchase affordable health coverage, we do not believe smaller insurers will participate in the AHP without being provided with options to explore rates based on claims experience or health status. Smaller carriers would not have a large enough book of business to spread the risk over to achieve target margins. Therefore, we recommend reviewing the retention model to ensure that healthy lives remain within the AHP to balance the risk. Alternatively, if reinsurance were provided to insurers to ensure maximum levels of risk, that may be more attractive to insurers.