

May 9, 2003

The Honorable John Boehner
Chairman
U.S. House Committee on Education and the Workforce
2181 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Boehner:

The Association Health Plan Coalition, comprised of more than 130 associations representing over 12 million employers and 80 million American workers, would like to thank you for your support and leadership on H.R. 660, the "Small Business Health Fairness Act of 2003." This vital legislation, introduced in the House by Reps. Ernie Fletcher (R-KY), Cal Dooley (D-CA), Sam Johnson (R-TX) and Nydia Velazquez (D-NY), allows small businesses to access quality, affordable coverage through Association Health Plans (AHPs).

The skyrocketing cost of health care is making employer-sponsored health coverage harder for businesses to provide their employees and harder for working families to afford, especially in the midst of today's struggling economy. More than 41 million Americans are uninsured, with nearly 60 percent of those employed by small businesses. As health care costs continue to increase, fewer employers and working families will be able to afford coverage, and the number of uninsured Americans will inevitably rise.

Allowing small employers to arrange their health benefits through associations will make coverage more affordable by spreading risk among a much larger group, strengthening negotiating power with plans and providers, and reducing administrative costs. Furthermore, AHPs will enable small employers the ability to offer employees more choices of health plans, something that is nearly impossible to do otherwise with a small workforce. To appeal to their broad membership bases, associations will need to offer comprehensive benefit packages that meet a broad array of health needs and preferences. Furthermore, the following safeguards assure that these plans will protect consumer interests:

* Strict requirements under which only BONA-FIDE professional and trade associations, which operate for purposes other than providing health insurance for at least three years, can sponsor AHPs. The Department of Labor must certify each AHP, which will then be regulated on an on-going basis by the Employee Benefits Security Administration.

* Solvency standards which are equal to, or more stringent than, virtually all similar state insurance laws and go well beyond requirements for employers that self-insure under the Employee Retirement Income Security Act (ERISA).

* Insurance market safeguards that will ensure AHPs result in stable, reliable markets for health insurance. AHPs are subject to the Health Insurance Portability and Accountability Act (HIPAA), making it illegal to deny coverage to any eligible participant based on the health status of an individual employee or employer. It is impossible to "cherry-pick" because high-risk groups or individuals cannot be denied coverage. Further, AHPs cannot charge higher rates for sicker groups within the plan, except to the extent already allowed under the applicable state rating law in the state in which the employer is located.

* Strong enforcement tools for federal and state authorities to protect against health insurance fraud. AHPs must register with the state where they are based, abide by strict disclosure and reporting procedures, and face new criminal and civil penalties to combat fraud.

In addition, the legislation gives the Department of Labor explicit regulatory authority to ensure that AHPs are properly administered and implemented. Currently, DOL administers and oversees ERISA protections covering 131 million workers, retirees, and their families. Of these, 67 million Americans are covered by self-insured (corporate) plans and an additional five million individuals are covered by Taft-Hartley (union) plans. Association health plans would be subject to oversight that is significantly stricter than these plans. With this significant experience already in place, DOL is fully equipped to implement and regulate AHPs when this legislation passes.

We write to thank you for your leadership on this issue and your commitment to voting against amendments that would effectively "gut" AHP legislation when it comes before your Committee this month. Your responsiveness and willingness to address the needs of your small-business constituents are very much appreciated. It's time to level the playing field and bring Fortune-500 style health benefits to America's small businesses. Thank you for your work in bringing small businesses access affordable, quality health care for their employees.

Sincerely,

The Association Health Plan Coalition