

Could an association health plan be the best small business option?



Billed as an alternative to health insurance required by the Affordable Care Act, the Department of Labor has issued regulations allowing small businesses—including sole proprietors with no employees—to band together to form association health plans. The DOL claims AHPs will give small businesses some of the clout large employers enjoy when negotiating health benefits and rates.

While the plans may be right for some employers, due diligence is required before joining an AHP.

AHPs tick a lot of the popular boxes the ACA did. Association plans may not refuse to cover pre-existing conditions. All the anti-discrimination provisions that large employer plans have apply to AHPs. In other words, the plans and their insurers may not cherry pick the healthiest insureds to provide lower rates.

However, the AHP regulations give the plans some flexibility that regular ACA plans do not have.

AHPs are not required to cover 10 essential health benefits that ACA plans must. For example, ACA plans must cover maternity costs. However, an employer offering an AHP with fewer than 15 employees will not have to provide maternity benefits. Pharmaceutical and rehabilitation benefits may be curtailed in some circumstances as well.

AHPs may base premiums on age, gender and occupation. Thus employers in hazardous industries such as construction or agriculture may pay higher rates. A workforce with more healthy young men will likely fare better than one with older workers or women of childbearing age.

Finally, the ACA employer mandate still applies. If an employer with 50 or more employees offers a noncompliant plan, it may face penalties. In 2018, single coverage cannot cost more than 9.56% of the employee's household income. Employees who work for an employer that elects a noncompliant plan may shop for better insurance on the ACA exchange, but are not eligible for the ACA's subsidies.

Online resource: Learn more about this benefits option at www.dol.gov/general/topic/association-health-plans.

Are you communicating health plan changes effectively?

Remember these tips come open enrollment season:

- **FAQs.** Communicate changes to current health benefits, such as the increase in employees' pretax deductions into cafeteria plans, in a frequently-asked-questions sheet that's distributed to employees and posted on the company's intranet. *Tip:* Be sure to include a reply email address for employees who have follow-up questions.
- **Keep it simple and personal.** New benefits options need a more coordinated roll out. The material you provide to employees should be written as simply as possible. *Tip:* Since health insurers' brochures often fall short of the keep-it-simple rule, create supplementary materials that show how a typical employee "like them" would fare among the various options. And don't undersell cost-shifting mechanisms like co-pays; doing so can lead employees to feel later that they were shortchanged.
- **Target spouses and significant others.** Spouses and significant others may be the ones who handle the health care decisions or schedule doctors' appointments. *Tip:* Mail home the same information employees received at meetings.