



AMERICAN ACADEMY *of* ACTUARIES

NEWS RELEASE

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Association Health Plan Bills Need Changes Actuaries Find AHP Legislation Flawed

WASHINGTON – In a letter to members of Congress, the nonpartisan American Academy of Actuaries identified several serious concerns with the Small Business Health Fairness Act of 2003 (H.R. 660 and S. 545). The bills would amend the Employee Retirement Income Security Act to allow trade, industry, professional and similar associations to be sponsors of health insurance plans for their members. The Academy offered to work with proponents of the bills, which bill sponsors hope will expand the availability, affordability, and accessibility of health insurance coverage.

Karen Bender, M.A.A.A., chairperson of the Association Health Plan Work Group, said that while the legislation has merit and is well intentioned, **“we have serious concerns about some of the bills’ provisions. As written, the bills are flawed and need significant rewriting to be actuarially sound and protect consumers.”**

Some of the concerns that the group has with the legislation are:

- **Risk of Insolvency** – The proposed rules governing the minimum surplus requirements for an AHP does not account for the growth of the AHP. Similar organizations have become insolvent in the past. In response, most states enacted solvency standards. To maintain the benefit of such standards to consumers, the surplus standards should be similar to the minimum requirements for Health Risk-Based Capital developed by the National Association of Insurance Commissioners. The legislation also relies on reinsurance vehicles that do not currently exist in the market.
- **Unclear Regulatory Authority** – AHP government regulation is not clearly defined in the law. Consumers, AHPs, and regulators may have no place to go for redress and guidance without clear regulatory authority.
- **Unlevel Playing Field** – The consequences of different rules for AHPs vs. state-regulated plans fragments the market, producing an unlevel playing field in insurance coverage that will lead to cherry-picking, adverse selection, and increased costs for some individuals.

The House Committee on Education and the Workforce is considering the House bill, and the Senate bill has yet to be scheduled for committee consideration. For a copy of the letter, go to the Academy website at www.actuary.org, or call Tracey Young at 202-785-7872.

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The American Academy of Actuaries is the nonpartisan public policy organization for the U.S. actuarial profession. The Academy provides independent analysis to elected officials and regulators, maintains professional standards for all actuaries, and communicates the value of actuarial work to the news media and public. For the more information, consult the Academy website, www.actuary.org.