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Actuaries Caution on Potential Risks and Effects of Health Care Executive Order on Consumers, Insurance Markets

WASHINGTON—The American Academy of Actuaries is cautioning that President Trump’s executive order on association health plans (AHPs) and short-term limited-duration insurance could present significant risks and have unintended consequences for consumers and health insurance markets.

“Creating exemptions from the Affordable Care Act (ACA) insurance market rules can have far-reaching and unintended effects,” said Academy Senior Health Fellow Cori Uccello. “These effects could include tilting the market in favor of entities with weaker benefits or solvency standards and weakening the protections for consumers with pre-existing health conditions. To avoid these adverse outcomes, the risks and consequences for consumers and insurers need to be well understood and addressed before the departments of Labor, Treasury, and Health and Human Services issue any regulations pursuant to this order.”

The Academy has detailed the risks and other public policy considerations associated with expanding the availability of non-ACA-compliant plans, including [association health plans](#) and short-term plans, including:

- **[Adverse selection](#)**. If healthier, lower-cost groups establish AHPs that operate under less restrictive regulatory requirements, it could leave higher-cost and less healthy groups in the traditional insurance market, driving up premiums. These adverse consequences could affect the individual market as well if groups are defined to include self-employed individuals. Similarly, short-term plans not subject to ACA requirements could attract lower-cost individuals, driving up premiums for ACA-compliant coverage.
- **Solvency concerns**. Uncertain or conflicting rules regarding AHP solvency requirements could create conditions where bankruptcies result, leaving consumers without coverage and with few avenues for redress.

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- **Diminished consumer protections.** Absent a defining regulatory framework for AHPs, there could be uncertainty as to whether consumer protection laws apply to AHP enrollees.

“It’s important that AHPs and short-term plans not serve as a workaround of federal and state insurance rules and protections that have been created to benefit consumers,” said Uccello.

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The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.