

ASSOCIATION HEALTH PLANS PROJECTED TO ENROLL 3.2M INDIVIDUALS

Individual and small group market premiums for ACA plans would increase causing a rise in the number of uninsured

New [analysis](#) from Avalere finds that the proposed rule on association health plans (AHPs) is projected to lead to 3.2M enrollees shifting out of the Affordable Care Act's (ACA) individual and small group markets into AHPs by 2022. The rule would increase premiums for those remaining in the individual ACA market by 3.5% and increase small group ACA premiums by approximately 0.5%, compared to current law.

"Consumers are always looking for a new low-cost health insurance option," said Dan Mendelson, President of Avalere, "but migration of healthy people to a new product will ultimately take a toll on what is presently being sold in the market."

AHPs are health insurance arrangements sponsored by an industry, trade, or professional association that provide health coverage to their members—typically small businesses and their employees. If finalized, the proposed rule would broaden access to AHPs by expanding eligibility and is likely to lead to many groups being exempt from ACA insurance protections—including coverage for all the essential health benefits (EHBs). Small businesses and sole proprietors who qualify could find new coverage options at a lower price.

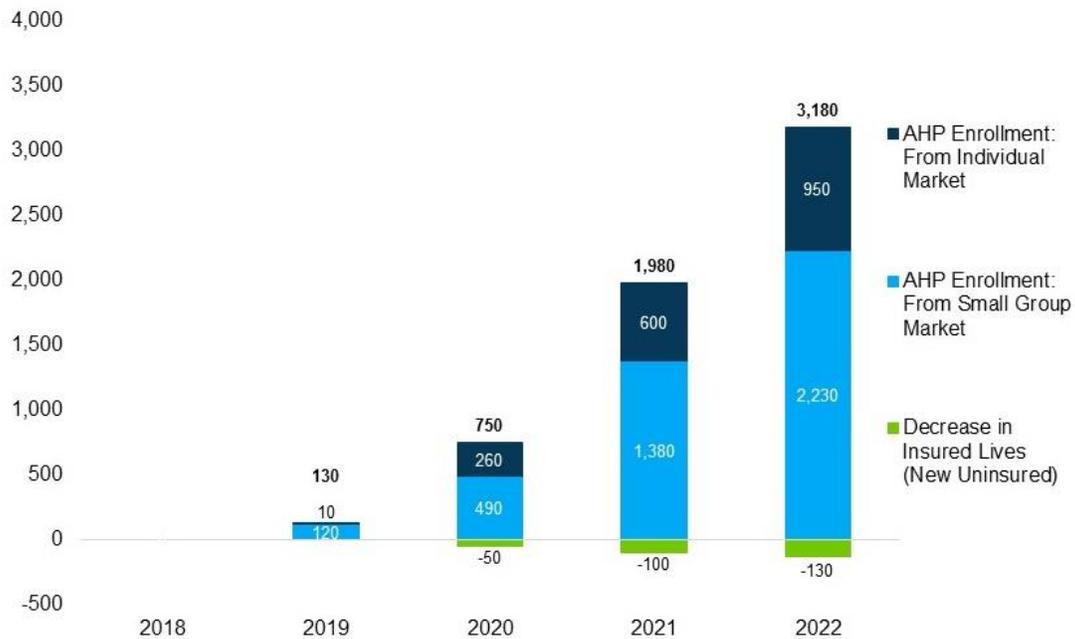
Avalere's modeling projects that by 2022 the proposed rule, if finalized, would lead to:

- **Higher premiums in both the individual and small-group markets.** If the proposed AHP rule is finalized, Avalere projects premiums would rise in the current ACA individual (3.5%) and small group (0.5%) markets relative to current law, largely due to healthier enrollees shifting into AHPs. This trend would cause individual and small group market ACA premiums to increase, due to the sicker mix of enrollees.
- **An increase in the number of uninsured Americans.** The proposed rule is projected to result in 130,000 additional individuals becoming uninsured by 2022, compared to current law. The increased number of uninsured is largely caused by premium increases in the individual market as healthier enrollees shift into AHPs.
- **An additional 3.2M people enrolled in AHPs.** This figure includes a shift of 1.0M people out of the individual market (5% of individual market) and 2.2M people out of the small-group market (7% of small group market) and into the expanded AHPs.
- **Lower premiums for enrollees who choose AHPs.** Premiums in the new AHPs are projected to be approximately \$2,900 a year lower compared to the small group market and \$9,700 a year less compared to the individual market. These differences are largely attributable to less generous benefit offerings and healthier enrollees, due to risk selection, in the new AHPs.



“The proposed rule would lead to millions of individuals and small businesses shifting into a new form of coverage, likely reducing their premiums, but leading to higher premiums in the markets they leave behind,” said Chris Sloan, senior manager at Avalere.

Figure 1: Projected Enrollment in AHPs and Change in Insurance, Moderate Scenario, in Thousands, 2018-2022



Copyright ©2018, Avalere Health LLC. All rights reserved.

The results above are from Avalere’s “Moderate” scenario of the impact of the proposed rule on AHPs. The full analysis and methodology, including Avalere’s “High” and “Low” scenarios are available [here](#).

Funding for this research was provided by America’s Health Insurance Plans. Avalere maintained full editorial control.



METHODOLOGY

The AHP proposed rule modeling results are the output of Avalere’s proprietary models of individual and small group market health insurance coverage. The underlying data in the models are drawn from the American Community Survey (ACS), Current Population Survey (CPS), Centers for Medicare & Medicaid Services (CMS) exchange enrollment reports, yearly premium data from Healthcare.gov, and general exchange market demographic data released by the United States Department of Health and Human Services’ (HHS) Office of the Assistant Secretary for Planning and Evaluation (ASPE). In addition, Avalere utilizes Inovalon’s proprietary MORE2 claims database of individual and small group market enrollees. This allows the model to consider underlying risk scores for purposes of modeling behavior, premiums (premiums in the model are weighted market average by age and metal level), and risk selection by metal level, age, and gender.

Avalere determined the number of people in both the individual and group markets receiving coverage who would be eligible for AHPs under the proposed rule, based on ACS (for the individual market) and CPS (for the small group market). Using the total eligible enrollees in AHPs as an “upper bound”, Avalere assumed an enrollment phase-in based on the trend of healthcare sharing ministries enrollment growth post-2010. The trend provides the best available proxy of enrollment in an alternative form of coverage to the ACA while also providing an approximation of enrollment being constrained by availability.

Avalere constructed three scenarios that varied based on the initial availability of AHPs in 2019, the average generosity of coverage offered by AHPs, and the projected level of risk selection by small businesses. For the initial availability of AHPs, Avalere used a high, medium, and low, based on the initial enrollment of healthcare sharing ministries in the early years of the ACA, as a percentage of the total individual market. For the average generosity of coverage, Avalere projected that AHP benefits in the “Low”, “Moderate”, and “High” scenarios had an average actuarial value approximating 60%, 70%, and 80%, respectively. Importantly, that actuarial value is based off the estimated cost of claims for the small group market.

Finally, for the “High” scenario, Avalere used a more aggressive assumption that small employers, with better risk, would be more likely to shift into an AHP than small employers with higher risk. Conversely, the “Low” scenario assumes small employers have less knowledge about the risk of their employees and that the small employer risk that shifts into the new AHPs is more like the small group market risk on a whole.

For a complete methodology, please see the full analysis [here](#).



###

Avalere Health, an Inovalon Company, is a strategic advisory company whose core purpose is to create innovative solutions to complex healthcare problems. Based in Washington, D.C., the firm delivers actionable insights, product solutions, and custom analytics for leaders in healthcare business and policy. Avalere's experts span 230 staff drawn from Fortune 500 healthcare companies, the federal government (e.g., CMS, OMB, CBO and the Congress), top consultancies and nonprofits. The firm offers deep substance on the full range of healthcare business issues affecting the Fortune 500 healthcare companies. Avalere's focus on strategy is supported by a rigorous, in-house analytic research group that uses public and private data to generate quantitative insight. Through events, publications and interactive programs, Avalere insights are accessible to a broad range of customers. For more information, visit avalere.com, or follow us on Twitter @avalerehealth.

