



PARKER | SMITH | FEEK

COMMERCIAL INSURANCE

EMPLOYEE BENEFITS

PERSONAL INSURANCE

RISK MANAGEMENT

SURETY



## PRACTICE GROUP: EMPLOYEE BENEFITS

SEPTEMBER 17, 2019

### SHOULD YOUR BUSINESS BE CONSIDERING ASSOCIATION HEALTH PLANS?

[Ryan Moses](#) | Benefits Account Executive

Association health plans, or AHPs, have been in the news quite a bit over the last year. In 2018, the rules were changed to allow insurance to be available for purchase across state lines, as well as communities and industry-specific channels. Then, those changes were put on hold.

The State of Washington has offered AHPs for years. But after all the back and forth since 2018, I hear employers asking more than ever, “What is an AHP? Is it different than the insurance we have today? Is an AHP right for our business?”

#### WHAT ARE AHPS?

AHPs take advantage of a membership model to provide more robust benefits to members’ employees than each would be able to on their own. By becoming a member, companies have access to the AHP’s plan offering. The idea is that, because you must be a member and these AHPs are industry-specific, you are rated in a pool of other companies like yours. When an insurance carrier is evaluating multiple groups in the same industry, it is much easier for them to predict the risk of the pool, as well as each individual group, which drives efficiency and predictability to hopefully lower rates.

Because an AHP views all of the members as one single group, it does change the way a carrier prices and renews this type of business, as opposed to the approach if each was priced individually. First, all groups within an AHP share a common renewal date. Many AHPs renew in December or January. So that means if your plan is currently on a July renewal, you can join the AHP in July, but will see a short contract and renew again at the AHP’s renewal date. This needs to be factored into your renewal discussion, as it may eat into your projected savings, which in most cases are shown on a 12-month total.

**Because an AHP views all of the members as one single group, it does change the way a carrier prices and renews this type of business, as opposed to the approach if each was priced individually.**

#### CARRIER RATING FOR AHPS

Carriers are also rating this type of business different than the standard 1-50 employee market, known as small group. In “direct to carrier” underwriting for small

*continued >*



groups, the carrier only looks at location and age data. This market also provides rates in a two-tier composite or age banded rates. Two-tier composite is broken out into two categories, age 21+ and age 0-20. In this space, you pay for up to three children aged 0-20 and all dependents over 21.

The association market, however, uses underwriting that mimics large group rating structure. They factor in location, age, gender, and your specific group's actual performance. They also provide rates with a four-tier composite rating. The rates are broken into employee-only, employee + spouse, employee + child(ren), and family rates. It doesn't matter if you have one child or 22 children, you pay the same employee + child(ren) rate. You also see additional benefits in these programs.



Many AHPs require that you provide a small life insurance policy as well, and because you are part of a single large group, most AHPs offer COBRA benefits regardless of your size. Better yet, these offerings often pair best-in-class carriers. So while you will have different medical, dental, vision, and life & disability carriers, the AHP provides consolidated billing and eligibility, which lowers your administrative responsibilities.

#### IS AN AHP RIGHT FOR YOU?

Now comes the important question: Is an AHP right for your business? The answer is complicated, and an insurance broker can help you determine the advantages or disadvantages as it pertains to your specific group. However, a general rule is that if your group is healthy and younger in age on average, it is very likely you can see some cost benefits, especially if your group has families with more than one child. In some cases, you also have access to purchasing programs or unique benefit plan designs in the AHP space, which is why it is crucial to engage a licensed benefits broker to point out the differences in this unique plan space.