



The Small Business Health Fairness Act (H.R. 1101)

Rep. Tim Walberg (R-MI), chairman of the Education and the Workforce Subcommittee on Health, Employment, Labor, and Pensions, and Rep. Sam Johnson (R-TX), recently introduced the [Small Business Health Fairness Act \(H.R. 1101\)](#), in a continued effort to sabotage the progress of the ACA. The proposed legislation would expand the ability of small employer groups and individuals to band together to obtain health insurance through an unregulated association health plan (AHP). Proponents of this legislation argue that AHPs would expand access and drive down costs, resulting in more health coverage options. However, in 2003, the [Academy of Actuaries characterized](#) the AHP legislation as “flawed” because it is neither actuarially sound nor does it protect consumers.

The *Small Business Health Fairness Act* would:

- **Undermine state-level consumer protection laws**
 - Reforms in the Affordable Care Act require that health insurance sold through an association to individuals and small employers generally meet the same insurance standards of any other coverage sold in the individual and small group market.
 - H.R. 1101 unravels these protections and restricts the ability of states to regulate AHPs.
 - While AHPs may save money by avoiding costs of consumer protections, AHP enrollees would get less robust coverage and may be left without these important protections right when they need them the most.
- **Exacerbate adverse selection and shift costs on to working people**
 - AHPs would be offered in competition with other small group and individual market plans. However, they would operate under a different set of rules.
 - The market would be fragmented – lower-cost groups could instead get insurance through an AHP at a lower rate, while higher-cost groups and individuals (those who are sicker and older) would remain in the traditional market.
 - This adverse selection would result in higher premiums in non-AHP plans. Ultimately, higher-cost individuals and small groups would find it more difficult to obtain coverage.
- **Expose both employers and employees to financial ruin**
 - Study of various markets show that AHPs are susceptible to financial challenges.
 - Multiple employer welfare arrangements (MEWAs), once in a regulatory vacuum similar to the one proposed through H.R. 1101, experienced frequent bankruptcies.
 - AHPs allowed under H.R. 1101 are likely to suffer the same fate as unregulated MEWAs, leaving millions of small employers and workers without health coverage due to insolvencies.