



Association Health Plan Frequently Asked Questions

1 How is the recent Department of Labor (DOL) regulation on association health plans (AHPs) different from what was available for AHPs before the DOL rule?

Pre-Rule Standard: The pre-rule standard only permitted trade- and industry-based employer association health plans and all of the participants had to be common law employees. It also required that the association had to have a primary purpose other than providing health coverage.

New AHP Rule: The new rule builds on the trade/industry rule but goes further, allowing geographically based AHPs. It also permits working owners to participate in these plans. And, it permits AHPs to be formed for the primary purpose of providing health coverage but does require at least one other substantial purpose.

2 How does an association health plan work?

AHPs are group health plans that permit associations of employers to provide health coverage for employees. AHPs allow small employers to band together and be treated as a single large employer group. This enables the association to be subject to large group rating and benefit rules.

3 How are rates determined?

Rates through a pre-rule association health plan may be developed using a number of factors that are not permitted in the Adjusted Community Rated Space. Factors used for pre-rule AHPs are as follows: Variability in age bands, area factors, industry codes and the ability to medically underwrite.

4 Are AHPs subject to consumer protections?

Yes. The full range of ERISA's reporting, disclosure and fiduciary provisions apply to AHPs.

New AHP Rule: All the pre-rule protections apply, but in addition DOL included a new non-discrimination rule that prohibits use of "health status factors" in the determination of eligibility or rating of an employer member. Neither pre-rule nor new rule may apply health status factors for eligibility or rating at the individual level.

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5 Can AHPs vary employer participant premiums/ contributions based on health factors?

Pre-rule: AHPs operating under the pre-rule standard will retain the ability to consider health status in determining rates to employers if permitted by state law.

New AHP Rule: An AHP will not be able to charge different premiums based on health status.

RATING AND UNDERWRITING

6 Are we allowed to use experience to rate the association, but not use claims to rate each individual employer?

For associations forming under the rules in place prior to the recent changes (pre-rule), rates can be adjusted based on the employer group's experience to the extent that is consistent with state large group underwriting rules.

7 What data will be collected to evaluate the AHP for coverage (group and individual applications, claims experience, census)?

We expect that pre-rule AHPs that have previously sponsored health coverage will submit current census, claims experience and any available utilization statistics. This will be considered part of the evaluation process for rate development.

8 How is situs state determined?

For an association formed pre-rule, the situs state is based on principal business location of the AHP which often is the AHP headquarters or the location of the majority of the enrollment.

9 Will each group within the AHP have their own group insurance policy?

No. The group health insurance policy exists at the AHP level.

10 Does the AHP provide guidance on the use of experience at renewal?

For associations formed under pre-rule guidance, the large group association experience is used to determine rates, consistent with state law.

11 Will AHPs require guaranteed issue?

Yes, guaranteed issue rules apply to all large groups, and the federal rule defines AHPs as large groups. Therefore, guaranteed issue rules apply at the association or AHP level, meaning that during sales/renewal discussions with associations we must offer and quote any product/plan we have that is available to other large group customers. However, we do not have to offer each and every available plan to constituent employer members of associations.

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APPLICATION OF AFFORDABLE CARE ACT (ACA) REGULATIONS TO AHPS

12 Are AHPs subject to consumer protections such as no pre-existing conditions?

Yes. Most of the ACA consumer protections will apply to AHPs, such as the prohibition on pre-existing condition exclusions. However, to the extent the AHP is a large group under state law, adjusted community rating and the Essential Health Benefits (EHB) requirement would not apply.

13 If an AHP wishes to offer limited benefit plans — that is, excluding some of the EHB — will we build it for them?

UnitedHealthcare does not offer “skinny” plans, in which significant benefit categories (e.g., maternity, hospital, Rx) are excluded from coverage.



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