



legislativeUPDATE

June 28, 2018

Final Rule Expands Association Health Plans

The Department of Labor (DOL) has issued a final rule regarding association health plans (AHPs). Information about the [rule](#) and other resources are available on the DOL [website](#).

AHPs work by allowing small businesses, including self-employed workers, to band together by geography or industry to obtain healthcare coverage as if they were a single large employer. AHPs are intended to strengthen negotiating power with providers from larger risk pools and to provide greater economies of scale. To qualify under the new rule, employers would need to be either in the same trade, industry, line of business or profession, or have a principal place of business within a region that does not exceed the boundaries of the same state or the same metropolitan area. Therefore, AHPs could cross state lines if the metropolitan area includes more than one state.

As is true in the large employer market, AHPs are not required to cover essential health benefits (EHBs), which has raised concerns as to whether AHPs may offer lower cost coverage that would attract healthier individuals from plans in the insurance exchange markets. AHPs are also subject to state laws governing multiple employer welfare arrangements (MEWAs), and according to a DOL [fact sheet](#) on the new rule, AHPs also remain subject to certain other federal consumer and healthcare nondiscrimination protections which will add more administrative burdens to these new AHP designs. As group health plans, AHPs are also subject to the disclosure requirements under ERISA, including the requirement to provide a summary plan description and summary of material modification.

The final rule has staggered dates for implementation. For example, all associations (new or existing) may establish a fully insured AHP on September 1, 2018 while existing associations that sponsored an AHP on or before June 21, 2018 may establish a self-funded AHP on or after January 1, 2019. All other associations (new or existing) may establish a self-funded AHP on April 1, 2019.

While the new rule may help small and mid-size businesses to band together, the state-by-state regulation of MEWAs will likely still be problematic as it relates to the rapid adoption of AHPs in the near term. Associations or groups interested in establishing an AHP will need to carefully consider the federal requirements under ERISA, as well as state laws which may limit the viability of these plans in certain markets.

Conner Strong & Buckelew will provide updates as new information is issued. Contact your

Conner Strong & Buckelew account representative toll free at 1-877-861-3220 should you have any questions. For a complete list of Legislative Updates issued by Conner Strong & Buckelew, visit our online [Resource Center](#).



connerstrong.com



[877-861-3220](tel:877-861-3220)



news@connerstrong.com



[Change My Preferences](#)



[Join Our Team](#)



INSURANCE | RISK MANAGEMENT | EMPLOYEE BENEFITS

Share to: [Facebook](#) | [Twitter](#) | [LinkedIn](#)



[Click here to change your email preferences or unsubscribe from all communication.](#)