

# SHOULD YOU ASSOCIATE WITH AN ASSOCIATION HEALTH PLAN?

## EVALUATING KEY CONSIDERATIONS AND REQUIREMENTS IN ASSOCIATION HEALTH PLANS

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With employee benefits typically ranking as the second largest organizational expense behind payroll, employers are smart to seek out ways to more efficiently manage and deliver benefits. For small and mid-sized employers, pooling risk with other organizations is one effective tool to limit costs. More and more of these employers are looking into association health plans as a way to achieve these savings.

Association health plans have existed for several years but recently gained traction following proposed regulatory changes. There are several advantages to an association health plan, but they are not a good fit in every instance. For company leaders and plan administrators, it's worth understanding the structure and benefits of association health plans as well as some key considerations for joining or establishing one.

## DECODING ASSOCIATION HEALTH PLANS

An association health plan is a multiple employer welfare arrangement in which a group health plan is created by an existing association of employers. Employer members of an existing, bona fide association can choose to band together to form an association health plan to offer coverage to employees of individual organizations within the association.

There's one important caveat – the association must exist for purposes other than providing a health plan.

For example, if real estate offices in New Jersey or law offices in Pennsylvania have an established association, these groups could opt to form association health plans for their members. Association health plans are typically best suited for employers with between two and a few hundred employees. There are two broad types of association health plans:

### **Fully insured**

The association purchases coverage from an insurance carrier. That carrier assumes the risk, and the association pays a set premium for coverage.

### **Self-funded**

The association works with a third-party administrator to set up its own health plan and obtains stop-loss coverage. The association assumes a greater portion of the risk in exchange for greater control.

## THE BENEFITS OF ASSOCIATION HEALTH PLANS

Individual organizations can realize a number of benefits through association health plans. Rather than having to purchase insurance from an exchange, employers can leverage economies of scale to achieve cost savings. Association health plans have more negotiating power and can more effectively manage risk across multiple organizations. Self-funded plans create additional opportunity for savings and reduced administrative costs.

Association health plans also create opportunities for custom plan design and more member engagement.

An association can look at demographics of its participants and tailor coverage to more effectively serve that population's needs. It can develop and share best practices around population health, wellness initiatives, telemedicine and other member engagement tools.

An association of shipping companies, for example, may prioritize coverage and member engagement on medical conditions associated with long hours behind the wheel. What's more, association health plans are typically overseen by a board made up of representatives from member organizations. These leaders have a greater interest in making sure the plan is efficient and serving the needs of its participants.

Association health plans can also be beneficial to the associations running them. Providing benefits enhances the value of the association and advances the interests of its members. It's a powerful tool for attracting new members and retaining existing ones.

## OBSTACLES TO ASSOCIATION HEALTH PLANS

Despite the benefits, establishing an association health plan is not always the best option for every association. There are considerable regulations that vary significantly from state to state. Recent changes to federal rules would have allowed for association health plans in shared geographic locations, even if that area covered multiple states. However, those changes were challenged in court and have not yet taken effect.

Navigating state and federal regulations requires significant due diligence and a considerable amount of legwork for the association and its members. For that reason, associations with an established presence and longstanding members with the capacity to make a long-term investment in the health care space are best suited to implementing association health plans.

For organizations with the right history, membership and capacity, association health plans are a possibility worth considering.

## KEY CONSIDERATIONS IN JOINING AN ASSOCIATION HEALTH PLAN

For individual employers with the opportunity to join an existing association health plan or those interested in establishing one within a current association, there are several important things to consider.

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- Is it fully insured or self-funded?
- Who will be the administrator?
- What up-front costs come with joining the plan?
- How flexible is the benefit design?
- What is the provider network?
- How are individual employers expected to contribute to running the program?
- What have year-over-year rate increases been for plan participants?
- How do rates and benefits compare to benchmarks in the small group market?

## A PARTNER CAN HELP NAVIGATE THE PROCESS

A trusted, objective partner with experience in evaluating association health plans can be a valuable resource in determining if the plan is a good fit. The first step is looking at what association plans currently exist in the market and if there is the option to create a plan at an existing association. It's important to work with experts in the space who can evaluate the full benefits and drawbacks of joining or establishing an association health plan.

To discuss association health plans:

Please contact a Conner Strong & Buckelew representative



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