

What Happened to the Small Employer Insurance Market?

As the cost of providing medical care increased in the mid-eighties, employers and insurers tried a variety of tactics to slow it down. The most common was an attempt to negotiate price discounts from doctors and hospitals based on the ability of the employer and insurer to direct the employees to or away from providers based on their prices. But that pricing leverage depends on having a lot of prospective employee purchasers. Since small employers could not participate, they were increasingly saddled with paying non-discounted prices, which now included reimbursement for the discounts negotiated by large employers and insurers.

Because of the price volatility for health care services, many insurers decided to get out of the health insurance business, and those insurers that remained in the market focused more on large employers where there was more opportunity to distribute risk and cover their marketing costs. At the same time, state insurance regulators enacted laws to correct what they perceived to be unfair practices by health insurers in the policies they offered small employers, but that also further discouraged insurers from offering coverage to that market.

These trends made it impossible for groups like the AIA to negotiate different, and better, deals for their members. Soon there were few insurers offering health insurance to small employers, and even fewer willing to offer comprehensive insurance to individuals. The result was that, even if coverage was available, it was often too expensive for companies and individuals to afford.

Did the Affordable Care Act (ACA) Help the Situation?

The ACA has accomplished its goal of reducing the uninsured rate by covering people who never had insurance, most of whom either cannot work or have jobs that do not offer health insurance. There were some provisions aimed at improving the small employer market, but the law's authors thought that very small employers would drop their plans and subsidize the purchase of insurance by their employees on the health care exchanges for individuals, but that has not happened as much as anticipated. It turns out that employer-provided health insurance is still an important part of attracting and retaining good employees.

The ACA has not done much to change the economics of healthcare pricing. Small employers are still not able to provide enough potential customers for doctors and hospitals to demand discounts, there are still few insurance companies who sell small firm coverage, and the price of

health insurance for small employers is still more expensive than the insurance very large employers can obtain. None of that will change as long as the healthcare pricing is driven by the ability to command discounts from providers, and the willingness of insurance companies to serve the small insurance market.

One benefit for small employers from the ACA is that the law has made it much easier to obtain information about health insurance and shop for it. This has facilitated the creation of health insurance exchanges that allow small employers to compare and purchase health insurance online. [The AIA Trust maintains a page of resources](#) to assist members in understanding their options.

Will There Be Opportunities for AIA to Offer Health Insurance Again?

The regulations that the Department of Labor (DOL) announced in June 2018 expanded the definition of Association Health Plans (AHPs). This expansion applies to firms and the self-employed (working owners). However, a fully insured AHP option is dependent on the insurance companies obtaining approvals from the various states and offering such products in the marketplace. Additionally, the 2018 expansion has been placed on hold by a Federal judge and is pending appeal.

It appears that many health insurance carriers are taking a “wait-and-see” approach regarding potential AHP offerings and therefore, there are limited options at present to pursue a fully-insured plan. The AIA Trust will continue to have discussions with brokers and carriers that may be willing to offer an AHP to AIA members.

The AIA Trust, which is governed by AIA members for the benefit of AIA members, continues to monitor these developments. If and when the Trustees identify any available plans that would be beneficial to members, the AIA Trust will move forward expeditiously.

Please check the [AIA Trust website healthcare page](#) for updates about healthcare coverage regulations and opportunities. You can also follow the quarterly updates published in the [AIA Trust member newsletter, *Managing Your Risks*](#).