

NEW HEALTH PLAN OPTION DESIGNED FOR GROUPS OF SMALL EMPLOYERS

Introduction

Throughout 2018, the U.S. Department of Labor took steps to make it easier for small businesses to offer competitive health and retirement benefits to their employees. These steps include issuing regulations that will allow businesses to group together to form health and retirement plans. The anticipated result of this change is a reduction in cost and the administrative burden associated with offering these types of benefits.

BrownWinick has been carefully monitoring these changes and has worked closely with the Iowa Insurance Division and expert insurance professionals in the state as the final rules and offerings for these plans were being finalized and adopted. While insurance carriers in the state are still finalizing product offerings, these new health and retirement plans are expected to become available in 2019.



Association Health Plans will provide an innovative option for small firms to band together for health and retirement plan offerings.

What You Need To Know — Association Health Plans

Recently adopted federal and state changes have broadened the availability of health insurance coverage to small employers. The changes allow small employers to band together to offer Association Health Plans (or AHPs). This is a welcome change for small employers, as it comes at a time when increasing health insurance costs present significant and ongoing challenges for small businesses and their employee healthcare offerings.

New administrative rules at both the federal and state level allow employers to join together to purchase health coverage as single group. This is a significant change, in that employees of small and mid-sized employers (and working owners) will be able to obtain coverage that is not subject to the regulatory complexity and burden currently in place for individual and small group health plans. The end result is that AHPs will offer the flexibility in benefit package design that is currently only available to large employers. AHPs may also benefit employer members by affording them increased bargaining power with various providers (hospitals, doctors, pharmacies) and reduced administrative burden on small employers.

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Establishing an AHP — The Rule

To benefit from formation of an AHP, employers must either:

- Be in the same trade, industry, line of business or profession (regardless of geographic location); or
- Have their principal place of business within a region that does not exceed the boundaries of the same state or metropolitan area (even if the metropolitan area crosses state lines).

These criteria make AHPs particularly beneficial to currently existing trade associations and industry groups. By establishing AHPs, these organizations are able to offer a valuable new benefit to their members.

The federal rules authorizing AHPs also recognizes that some very small businesses do not have service providers other than the business owner. It is often particularly difficult for these businesses and their owners to obtain affordable healthcare. The federal rule responds to this challenge by providing a mechanism for self-employed individuals and business owners who do not receive W-2 compensation to participate in AHPs as well.

We will continue to monitor developments on AHPs and provide updates as information is available. In the meantime, if you have questions or would like additional information, please contact BrownWinick attorneys as listed below.

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