

Association Health Plan Survey  
California Society of Association Executives  
Updated July, 2007

## **SUMMARY**

CalSAE conducted a survey of its members and performed additional research in the area of association health plans. Few associations currently offer health insurance programs to their members, although associations have provided such programs more frequently than is the case today. However, associations have expressed a high degree of interest providing health insurance programs to their members.

The main reasons that associations aren't offering health insurance programs to members are based on market dynamics and the complexity of providing such programs. State regulations and market factors prevent association programs from realizing substantial advantages that can be passed on to members (i.e. discounted pricing and/or enhanced benefits). There appears to be no advantage in pricing or benefits between developing an association program under today's conditions and what members can get on the open market for health insurance. In addition, associations often find it difficult to even find an interested insurance carrier.

Essentially, associations are not able to use one of their primary advantages, strength in numbers, to offer such programs.

## **BACKGROUND**

California law in the early 1990s made fundamental changes in the health insurance area. Current law within California makes it difficult for associations to provide health insurance programs. Three key components of the law prevent broad participation of associations. First, a small employer is defined as having 2 to 50 employees, which prevents offering insurance to legitimate businesses in the form of sole-proprietors. Second, the law states that a "guaranteed association" must have been formed, and begun offering health insurance to its members, prior to 1987. Third, current law requires any carrier that offers a health insurance plan for small business to offer that plan to all business. The one size fits all model prevents customization of health plans that is not able to meet the needs of different industries or consumer groups; it also decreases choice and minimizes any contributions that associations might be able to provide if additional flexibility were available.

Another key market factor appears to be the lack of universal coverage within the state. Because there are no legal or regulatory requirements to provide insurance to all Californians, health insurance carriers look to provide coverage to those with the least amount of risk (or avoid those that pose higher risk levels).

Associations are also unable to pool members in a way that allows them to gain competitive rates like large employers.

In addition, the variation of inter-state regulations makes it virtually impossible to offer programs regionally or nationally. The overall national complexity has also decreased the ability and interest of insurance carriers to offer such programs in partnership with associations. For example, a national survey of associations found that the number of AHPs offered has declined from 31% to 24%. The current market does not provide any significant advantages for associations to offer programs to their members (i.e. volume discounts or enhanced services) than members can typically get in the marketplace.

## RECOMMENDATIONS

Based on the CalSAE survey and additional research, we are providing recommendations that will enable associations to play a productive role in providing health insurance to a greater number of Californians. Those recommendations include, but are not limited to, the following:

- A. Include associations within overall health care reform as a competitive option from which society can generally draw upon for health insurance coverage. However, participation should be limited to bona fide associations, preventing associations from forming strictly for the purpose of providing insurance. A “guaranteed association” is defined in the Health Insurance Code Section 10700 y).
- B. Associations are unable to offer health insurance to legitimate businesses with one employee, in the form of sole-proprietors. Examples include Marriage and Family Therapists, Enrolled Agents, Architects, etc. The code should redefine small business from 2 to 50 employees to 1 to 50 employees (Insurance code section 10700 w) 1).
- C. Certain requirements in the code need to be updated. Specifically, the definition of a “guaranteed association” states that it must have been in existent for at least five years prior to January 1, 1992. In addition, the association must have been offering health insurance for at least five years prior to January 1, 1992. While dates of both requirements should be updated, the latter requirement is particularly outdated (Insurance Code Section 10700 y) 5&6).
- D. Support “pooling” of membership through associations for purposes of offering health insurance and gaining more competitive rates. We believe legislation would be needed to create the circumstances in which associations can pool their membership for insurance purposes and be treated like a large employer. This would allow these plans to achieve more competitive rates.
- E. Allow associations and insurance carriers to provide a greater variety of small business plan options. Carriers that develop a small business health insurance plan are required to offer the same plan to all small business throughout the state. The “one size fits all” does not allow for flexibility or customization that can generate more appropriate and cost-effective coverage.

## SURVEY METHODOLOGY AND RESPONDENTS' PROFILE

CalSAE conducted an online survey of its members composed of 24 questions in late February of 2007. Members were provided with two email notices (survey link included in the notice) and given two weeks to complete the survey. A total of 72 responses were collected out of a total of 338 associations, for a 21.3% response rate. A summary of the survey is included as *Exhibit A*. A list of associations that responded to the survey is included as *Exhibit B*.

75% of the respondents were the CEO of their respective associations. The remainder were senior staff (except one) of the association.

56% of respondents represent a trade/company association, 41% represent a professional (individual) association, and 3% represent a charitable or "other" association.

The associations also self-reported about their membership. 30 Professional associations reported a total of 147,717 individual members. 42 Trade associations reported a total of 45,004 member companies. Trade associations often track employment and/or revenue of their member companies: 17 associations reported member companies employing more than 850,000 people; 17 associations also reported revenue of members companies exceeding \$25 billion.

The geographic scope of respondents was most frequently represented by statewide associations at 61%, 25% were multi-state, national or international, and 14% were local/regional.

## SURVEY FINDINGS - ASSOCIATION CONCERNS AND INTEREST IN PROVIDING HEALTH PLANS

It is clear that associations see Health Care as an important issue for their members. Overall, 73% of respondents were concerned about this issue, with 30% saying this is one of the most significant problems faced by their industry. A national survey found an even higher level of concern, with almost 50% of association executives rating this issue as one of the most significant faced by their industry, and 89% expressing some level of concern (N=994).

While few associations provide health insurance programs to their members, they represent a natural fit for providing such programs. 74% of respondents in California showed some level of interest in providing health care programs to members. **Of those associations not providing a health insurance program, more than 40% expressed a high level of interest to do so in the future.**

Members were also asked what position CalSAE should take about Association Health Plans and the health care reform movement currently underway. 51 Respondents to this open ended question were almost universally supportive of CalSAE's involvement. Overall, the combination of responses included:

- 30 expressed unconditional support for CalSAE involvement and support for AHPs
- Seven expressed conditional support such as, ensuring proper controls are in place, ensuring mental health is included, prevent groups from forming solely to offer insurance, minimizing complexity in offering programs.
- Six showed support for overall reform, and most of those wanted coverage for all.
- Four expressed caution about CalSAE involvement. Several were not sure if CalSAE should take a position.
- Several said CalSAE should be involved/seek greater choice/reduced costs.
- A few opposed government involvement/government run program/mandated costs.

## **ASSOCIATIONS PROVIDING HEALTH INSURANCE PLANS**

A total of 13 respondents (18%) currently offer some type of health insurance program to their members. This compares to a national survey that found 24% of associations providing such programs to members. These health insurance programs covered a total of 2,643 members and a total of 43,400 individuals. However, only five associations (7%) had created a separate organization (Joint Powers Authority, Group Insurance Trust) to capture the full benefits of discounted group rates and/or enhanced benefits available through this type of structure. Three of those associations had 50-60% of their members enrolled in the program, and the other two had between 6% and 15%.

The remaining eight associations offered partnership style programs in which the association developed a partnership with an established insurance company or broker to offer a program to their members. The percentage of membership covered through these less formal programs is:

- Three had less than 5%
- Two had between 6 and 10%
- Two had between 16 and 20%
- One had between 71 and 80%

## **ASSOCIATIONS NOT OFFERING HEALTH INSURANCE PROGRAMS**

The large majority of respondents (82%) did not offer a group health insurance program to their members. This compares to a national survey in which 76% of association executives polled said their association does not offer a health insurance program to members. The CalSAE members were also asked why they did not offer such a program, and were able to choose more than one response (“select the most important reasons”).

The two primary reasons appear to be based on market factors (cited by respondents 69%) and that regulations and legal issues are too complex (cited 25%). In addition, 53 respondents provided detailed (open ended) responses on the reasons why they did not offer programs to members. Those reasons are summarized as follows:

1. Market Factors (69%). Market factors seemed to be the most common reason for preventing associations from offering a program to members. These factors broke down three ways:
  - **Unable to find a carrier to offer a program (37%)**. There were several issues within this category expressed by members. First, it was difficult to find a carrier to even offer a program, which appears to be a function of the lack of interest in that particular market (i.e. members were too old or risk was too high for that group). For example, one member commented “We tried but when carrier reviewed our census data, they said it was not feasible to offer coverage.”

In addition, carriers often offered programs that did not provide any market advantage over what the member could purchase on their own. One respondent captured the overall sentiment in saying “Health Plans were not competitive enough - most small businesses can get their own plans at the same prices.” Others were unable to offer a program because their members reside in multiple states, and the mix of regulations impede the ability of carriers to offer programs across state lines. “3-state contiguous rule re: group trusts limits and/or is cumbersome-costly for our needs.”
  - **Members aren’t interested (12%)**. For some associations, offering health insurance is not a good “fit” for those members because there isn’t sufficient interest or it’s not a priority for those members. Comments around this theme included “...our members want us to focus on legislation” or “Several years ago we attempted this, needed 50 names to secure a group rate and we were unable to get that many responses.”
  - **Members don’t need (20%)**. Many associations have members in which coverage is already secured through the employer, particularly those employed in the public sector (municipal utilities, librarians, law enforcement, redevelopment agencies, etc.).
2. Regulations and legal issues are too complex (25%). One member commented that “Prior history in California pertaining to health insurance are full of lawsuits and problems...it has made our board stay away from considering previous health insurance products.”
3. Self-selection and opt-out (22%). The additional reasons why associations aren’t offering health plans to members are a combination of factors that results in “self-selection” or “opt-out” by those associations. For example, a regional/local association would not offer a program if it is being offered by a parent association. The majority of respondents in this area are regional, national or international associations. The variety of regulations across states often prevents them from offering such a program to all members. One member commented “We offered health insurance for many years throughout the states we cover. However with small group reform and similar legislation in other states we could no longer find carriers. We would seriously consider re entry into this benefit for our members if ASH became law.” Another member put it more succinctly by saying “Impossible to find a carrier interested in members across the country.”

## **CONCLUSION**

The mix of regulatory and legal complexity combined with current market conditions make it exceedingly difficult for associations to offer health insurance programs that are a distinct advantage to their members. Typically, there are no advantages that associations can offer through group buying power based on the current conditions.

Associations exist to provide benefits to their members, and there is a high degree of interest in the potential to provide health insurance programs. Associations would provide a great deal of energy and dedicated resources to developing programs that would enhance choice and competition for health insurance coverage in California.