



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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The Honorable Michael B. Enzi, Chair
Committee on Health, Education, Labor and Pensions
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

We are writing to express our objections to S. 406, a bill that would allow a new category of health insurance company, "Association Health Plans (AHPs)," to form and operate outside the authority of state regulators and beyond the reach of proven state consumer protections and solvency laws.

The NAIC, which represents the nation's insurance regulators, shares the sponsors' concern for the growing number of small business employees who cannot afford adequate coverage. However, the fact is S. 406, just like its predecessors, would do little, if anything, to address this problem. The bill ignores the root cause of the current crisis – skyrocketing healthcare spending – and would, according to the Congressional Budget Office, actually *increase* the cost of insurance for many small businesses. A far broader approach to the existing problem – one that addresses healthcare spending, cost-shifting to privately insured persons, and the possible need for subsidies – is necessary to bring true relief to small businesses.

Even more troubling than the bill's lack of effectiveness in meeting its stated goal is the harm the legislation would do to consumers. S. 406 would segment the small group market, eliminate critical consumer protections, and lead to increased fraud and plan failures. The sponsors of S. 406 have done nothing to address these shortcomings in the legislation and, therefore, NAIC must continue in its opposition.

History has demonstrated that AHP-type entities have done more harm than good to small businesses. The federal government and the states need to work with healthcare providers, insurers and consumers to implement true reforms that will curb spending and make insurance more affordable to small businesses. Rehashing strategies that have failed would not be a step forward. It's time to move on and find effective solutions.

The NAIC remains committed to improving access to affordable insurance for all small businesses. The AHP legislation is clearly not the answer and we stand ready to work with you and your committee to deliver real relief for small business owners and workers.

Sincerely,

Catherine J. Weatherford
Executive Vice President and CEO

John Morrison, Chair
Health Insurance and
Managed Care (B) Committee

Sandy Praeger, Vice Chair
Health Insurance and
Managed Care (B) Committee