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STATES' EXPERIENCES WITH MEWAS HIGHLIGHT NEED FOR CONSUMER PROTECTIONS AGAINST HEALTH PLAN INSOLVENCY

Self-Insured Association Health Plans Could Leave Consumers At Risk of Unpaid Medical Bills

New York City, March 10, 2004—With health care costs and insurance premiums rising, many state and federal policymakers are promoting association health plans (AHPs) as a way to expand access to affordable health insurance coverage. But a new report from The Commonwealth Fund warns that self-insured AHPs, or Multiple Employer Welfare Arrangements (MEWAs), which often have less stringent licensing requirements than those imposed on traditional insurers, pose risks to enrollees and could leave them in danger of facing unpaid medical bills if plans become insolvent.

The experiences of states with MEWAs reveal a troublesome history of financial instability. Policymakers should learn from state experiences in regulating such arrangements, warn Mila Kofman and colleagues at Georgetown University's Health Policy Institute in *MEWAs: The Threat of Plan Insolvency and Other Challenges*. Legislation establishing AHPs is pending in Congress, and President Bush expressed support for AHPs in his 2004 State of the Union Address.

"The lack of consumer protections in association health plans, as states have experienced with MEWAs, could leave enrollees with large unpaid medical bills," said Karen Davis, president of The Commonwealth Fund. "If plans become insolvent and enrollees have difficulty finding new coverage, more people could lose their health insurance, exacerbating the current crisis in our health care system."

MEWAs have weaker standards than traditional insurers to ensure solvency, such as low cash surplus requirements, and therefore there is a far greater danger of insolvency when claims suddenly or unexpectedly exceed ability to pay. Further, the lack of a safety net such as guaranty funds leaves employers and workers enrolled in MEWAs responsible for unpaid medical claims in case of insolvency. The history of MEWA insolvencies is long and is growing more frequent. In 2001, Sunkist Growers, Inc. a licensed MEWA in California covering 23,000 people became insolvent. When New Jersey's Coalition of Automotive

Retailers, a MEWA that covered 20,000 people, became insolvent in 2002, it had $15 million in outstanding medical bills.

The report examines how three states—California, Michigan, and Oklahoma—with MEWA health plans have attempted to prevent insolvencies and provide additional consumer protections through regulation and oversight. Because even the most aggressive oversight cannot prevent a MEWA's insolvency, some states provide assistance to consumers when MEWAs fail to help them find new coverage and reduce the amount of unpaid medical bills for which patients are responsible. Michigan negotiated with the professional and trade associations sponsoring the MEWAs to make up for the financial shortfall. They also requested that the sponsoring association work out agreements with health care providers to accept reduced payments on outstanding claims.

"Policymakers have made a tradeoff," said Mila Kofman, lead author of the report. "On one hand, weaker standards than those applicable to insurers may make the health insurance offered by associations less expensive; on the other hand, lower solvency requirements increase the risk of financial failure, which means consumers can get stuck with medical bills that should have been paid."