

October 13, 2017

Trump Administration Announces Policies Impacting Individual and Small Group Markets

On Oct. 12, President Trump announced several policies that will impact coverage options for individual and small business, including the comprehensiveness and cost of coverage. Through [Executive Order](#) (EO), President Trump directed three federal agencies to pursue policies that would:

1. allow small businesses to band together to form association health plans;
2. allow individuals to purchase a broader range of short-term health plans; and
3. expand how employers can use health reimbursement accounts to purchase coverage.

Separately, the Administration also announced that it would no longer fund the cost-sharing reductions (CSRs) that help low-income individuals afford co-payments and deductibles.

AHA Executive Vice President Tom Nickels [commented](#) that the EO “will allow health insurance plans that cover fewer benefits and offer fewer consumer protections ... In addition, these provisions could destabilize the individual and small group markets, leaving millions of Americans who need comprehensive coverage to manage chronic and other pre-existing conditions, as well as protection against unforeseen illness and injury, without affordable options.”

The AHA remains committed to ensuring that individuals have affordable, comprehensive health care coverage options, and we encourage the Administration to achieve this goal without sacrificing critical consumer protections by stabilizing the individual and small group markets.

EXECUTIVE ORDER ON ASSOCIATION HEALTH PLANS AND SHORT-TERM POLICIES

The Oct. 12 EO directs the departments of Treasury (DOT), Labor (DOL) and Health and Human Services (HHS) to consider changes in current regulations and guidance governing health care coverage in three areas. These recommended major policy changes would go through the normal rule-making process, including a notice and public comment period.

1. **Association Health Plans (AHPs):** Directs DOL to consider within 60 days new rules and guidance to allow more employers to form AHPs. AHPs allow groups of small businesses to come together to purchase coverage. The changes contemplated by the EO would allow such plans to be regulated like large employers and the self-insured as opposed to meeting the Affordable Care Act (ACA) requirements, including consumer protections for the small group market.

Specifically, DOL is encouraged to modernize its current interpretation of the Employee Retirement Income Security Act (ERISA) to allow a broader range of employers to band together to sponsor AHPs. This change to ERISA would allow similar employers anywhere in the country to join together to offer AHP health care coverage to their employees and any employers within a single state or a multi-state metropolitan area to join together to offer health care coverage to their employees.

2. **Short-term Policies:** Directs DOT, DOL and HHS to consider within 60 days regulations to expand the maximum length of short-term, limited-duration health coverage and to make it renewable by the consumer. These short-term policies typically have a more limited benefit package and higher cost-sharing.
3. **Health Reimbursement Arrangements (HRAs):** Directs DOT, DOL and HHS to consider, within 120 days, revising rules and guidance to increase the use of HRAs by expanding employers' ability to offer them to their employees, and allowing HRAs to be used in conjunction with non-group coverage.

ADMINISTRATION PLANS TO NO LONGER FUND CSRs

Insurers are required to reduce cost-sharing for certain low-income individuals purchasing coverage through the marketplace. The federal government reimburses insurers for the value of the CSRs, estimated at \$7 billion annually. The House of Representatives challenged the Obama Administration's implementation of this ACA provision, and the case is currently under appeal. However, the court halted proceedings to allow both parties the opportunity to resolve the case before proceeding further. The Trump Administration has continued to fund the CSR payments to date. However, yesterday, the Administration confirmed plans to no longer fund the CSR payments. How this will impact the cost and availability of coverage will vary on a state-by-state basis depending on how each state and the Centers for Medicare & Medicaid Services work with plans to address the funding loss.

One of AHA's top priorities has been stabilizing the individual market by funding the CSRs. The AHA remains [committed](#) to advocating for the continued funding of CSRs and will work with those in Congress to see that this needed help continues to be available to low-income individuals purchasing coverage through the marketplaces.