

PowerPost Analysis

The Health 202: Association health plans expanded under Trump look promising so far

By [Paige Winfield Cunningham](#)

THE PROGNOSIS

A crop of new health insurance plans enabled under regulations from the Trump administration appears more consumer-friendly and less like “junk” insurance than Democrats originally charged.

Chambers of commerce and trade associations have launched more than two dozen of these “association health plans” in 13 states in the seven months since the Labor Department finalized new rules making it easier for small businesses to band together to buy health coverage in the same way large employers do. **And there are initial signs the plans are offering generous benefits and premiums lower than can be found in the Obamacare marketplaces.**

President Trump billed the [new rules](#) as one of several ways to provide consumers with cheaper coverage options than they could find in the Obamacare marketplaces, prompting complaints by Democrats that he was undermining consumer protections laid out in the Affordable Care Act. There’s indeed plenty of evidence the administration is trying to weaken the ACA, including the Justice Department’s refusal to defend it in court.

But when it comes to these new association health plans, they appear — at least so far — to offer benefits comparable to most workplace plans and haven't tried to discriminate against patients with preexisting conditions, according to [an analysis](#) released today by Kev Coleman, a former analyst at the insurance information website HealthPocket.

“We’re not seeing skinny plans,” said Coleman, who founded [a website](#) last year with information on association health plans. “We’re seeing the regular doctor care, we’re seeing emergency room care, we’re seeing mental health coverage.”

The farm cooperative Land O’Lakes, which is expanding its association plan to farmers in Nebraska and Minnesota, [has said](#) its premiums will cost 25 percent to 35 percent less than plans sold on Nebraska’s ACA marketplace. Every category of essential health benefits — which are required for marketplace plans — is covered, according to [an analysis](#) by Modern Healthcare.

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Several business associations in Nevada **have started** offering association health plans to member companies. Enrollees in the plan offered by the Reno-Sparks Chamber of Commerce have cited lower deductibles and out-of-pocket costs.

Two of Michigan's largest business associations **are partnering** to offer members association plans managed by BlueCross BlueShield of Michigan, some of which will cover essential health benefits and offer different premium and deductible levels.

According to Coleman, who analyzed 28 association health plans operating under the new rules, a majority of the new association plans are being launched by regional chambers of commerce, four out of five are being managed by a third-party insurance company, and half the plans offer tax-free savings account options.

The idea behind expanding association health plans was to make more widely available the type of coverage often offered to employees of big companies. Small businesses have typically struggled to provide affordable coverage for workers, given the small size of their risk pools.

The new regulations allow small businesses, associations and self-employed individuals — including those operating in different industries — to band together to buy health coverage by pooling all of their employees together. The health consulting firm Avalere has estimated 3.2 million people could eventually be covered by such plans, which have to comply with the same rules governing large employer plans.

The association plans **don't** have to cover the essential health benefits required of plans purchased by individuals in the ACA marketplaces — something Democrats have been quick to note. Analysts have **also warned** that they'll cause marketplace premiums to increase by as much as 3.5 percent, by drawing healthy people away from Obamacare plans and into association coverage.

But what's sometimes been lost in heated, politicized exchanges is that the Labor Department did ban these plans from discriminating against patients with preexisting conditions. That perhaps reflects a growing realization among Republicans that opposing these popular protections is a political loser.

Democrats' claims that association plans constitute "junk" insurance aren't necessarily true. That's because the plans are subject to the same requirements currently in place for large employer plans, including requirements to fully cover preventive care and bans on limiting annual and lifetime benefits.

Republicans strove to highlight association health plans in a contentious Capitol Hill hearing Tuesday. Ways and Means Democrats spent their time bashing GOP lawmakers for trying so long and hard to knock down the ACA and its protections for people with preexisting conditions.

For their single witness, Republicans brought in Rob Robertson, chief administrator of the Nebraska Farm Bureau Federation. The organization for farmers and ranchers is offering an association health plan it says will cost 25 percent less than plans currently offered in the state's individual market and will cover a broad range of benefits including prescription drugs, emergency room visits and prenatal and maternity care.

The plan won't discriminate against people with preexisting conditions, [Robertson said](#). **That's now a point of emphasis for Republicans, who spent last year's midterm elections on the defensive as Democrats accused them of abandoning people with serious medical conditions and drawing attention to a GOP-led state lawsuit against the ACA that could dismantle those protections.**

"I say to my colleagues on the other side of the aisle, take 'yes' for an answer," Rep. Tom Reed (R-N.Y.) said. "We agree with you. This reform is good; this reform will stay as the law of the land."

But even if association health plans ultimately prove successful — and it's too early to say for sure — Republicans face a harsh reality on health-care policy. After years of slamming the ACA but failing to come up with a viable alternative, they're now stuck in a defensive posture as energized Democrats leveraged the issue to their favor in 2018 and seek to do the same in 2020.

"They get that preexisting conditions must be protected," Rep. Tom Suozzi (D-N.Y.) said sarcastically in remarks aimed at his colleagues on the other end of the dais. "They hear the message — it only took years; it only took hundreds of millions of dollars of campaign commercials."

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AHH, OOF and OUCH

AHH: House Budget Committee Chairman John Yarmuth (D-Ky.) said the party will begin holding hearings in the spring on expanding Medicare -- the latest signal that Democratic lawmakers want to move forward with discussing a national health-care program.

In an [interview](#) with Reuters's Yasmien Abutaleb and Susan Cornwell, Yarmuth said a "majority" in the party wants to "do something, some kind of Medicare expansion. I've had a number of major corporate CEOs say to me we need to go to Medicare for All." Yarmuth cited a goal of getting some kind of legislation passed by the end of next year and told Reuters it may be practical to pass a bill allowing people to join Medicare as early as age 50 or 55.

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The Health 202 wrote last week about the many varied Medicare-for-All-style plans Democrats have proposed so far.

OOF: FDA inspectors found a Mylan manufacturing plant in West Virginia may have recorded that drugs passed tests even when they fell short of U.S. standards, during an inspection in November 2016, Bloomberg News’s [Anna Edney wrote](#) in this first in a series of four investigative pieces.

“The inspectors also found bins full of shredded documents, including quality-control records, in parts of the factory where every piece of paper is supposed to be saved,” Anna writes. “A warning letter, the FDA’s strongest rebuke, was drafted. It would mean the agency could refuse to consider any Mylan application for a new drug made at that plant until the company fixed things.”

But the FDA never sent Mylan a warning letter. By July 2017, agency leaders had decided to leave the issue in Mylan’s hands.

“[FDA Commissioner Scott] Gottlieb’s actions on generic approvals have drawn praise from both parties in Congress,” Anna reports. “But with Democrats having taken control of the House, members who oversee the FDA say they plan to examine a crucial public-health question posed by his efforts: **Is the fast-tracking of those approvals coming at the expense of oversight that’s supposed to ensure that drugs already on the market are safe and effective?**”

A decline in inspections and a relaxing of penalties have raised quality concerns, Anna reports. While FDA increased its generic drug approvals 94 percent in fiscal year 2018, surveillance inspections done globally by the FDA—meant to ensure existing drug-making plants meet U.S. standards— have fallen, she writes.

OUCH: Planned Parenthood’s new president Leana Wen is ready for a fight against the Trump administration, which is expected to soon announce a final Title X family-planning funding plan, our Post colleague [Ariana Eunjung Cha reports](#).

The proposed plan announced in May would prohibit federal money from going to clinics that provide abortion services or referrals. The network of women’s health and abortion clinics serves about 41 percent of Title X patients, receiving about \$60 million from the program, Ariana writes.

In an interview with The Post, Wen said changes in the proposal “would compromise our ethical obligations,” comparing abortion services to insulin for diabetics. “I want people to think about what if this were any other aspect of medical care. Imagine if the Trump administration prevented people with diabetes from talking to their doctors about insulin,” she said, adding: “Whatever decisions are coming up have nothing to do with medicine and everything to do with politics.”

Wen pledged to try to get the expected new ruled delayed, get lawmakers to reverse the changes or take the issue to court. She also noted the program serves mostly disadvantaged and minority women. “They are trying

HEALTH ON THE HILL

— Members of the Senate Finance Committee debated skyrocketing prescription drug prices in a hearing yesterday, vowing to summon pharmaceutical executives before them in the future. **Committee Chairman Chuck Grassley (R-Iowa) and ranking Democrat Ron Wyden (Ore.) noted in opening statements they invited several pharmaceutical executives to testify before the panel, but all but two declined.**

"The companies that declined said they would be very happy to have discussions in private but not in public," Grassley said. "That is not what I mean when I talk about transparency."

"That ought to tell you something," Wyden said about the companies' refusal. "Even the Big Tobacco companies were willing to come to Congress and testify, and they made a product that kills people. They all lied to me, but at least they showed up...The drugmakers are going to have to show up as well."

— Discussion during the hearing largely revolved around ideas that have been floated before, such as a potential change to the rebate structure, restructuring the 340B federal drug discount program (which requires drug companies to give discounts to hospitals serving low-income people) and allowing Medicare Part D to negotiate directly with drug companies -- one proposal that Grassley has said he doesn't want to pursue.

Wyden said reforms are needed to Medicare Part D. "Why isn't Medicare negotiating?" Wyden asked. "Private Part D plans negotiate with drugmakers ... I don't see how Part D, as structured today, is going to protect the senior and the taxpayer."

— **When asked by Grassley to name one way to lower drug costs, former CBO Director Doug Holtz-Eakin suggested changing the 340B drug program, which has grown far beyond its original scope.** "The first thing to do is stop having policies that push up drug prices and one that comes to mind is the 340 B program," he said. "It was a well-intentioned program that was intended to provide drugs at lower costs to needy patients. But it's not well-targeted on those patients right now, it's leading to higher drug costs, and I would encourage the committee to take a close look at reforming the 340B program."

But Sen. Debbie Stabenow (D-Mich.) challenged Holtz-Eakin's remarks, saying she wanted to "disagree that 340B is the primary reason for higher prices. There's a whole lot of other reasons and that is not the primary reason."

— **There was also discussion around drug rebates, which the Department of Health and Human Services has targeted as a cause of high drug list prices.** Peter Bach, director of the Memorial Sloan Kettering Center for Health Policy and Outcomes, explained the current rebate structure allows higher list

prices for drugs and higher rebates that “push more than the fair share to the patients that take expensive drugs,” adding that those patients pay “more than the negotiated price.”

When Sen. John Cornyn (R-Tex.) asked why an anti-kickback rule essentially barring rebates exists under the Social Security Act but not for prescription drugs, there was laughter in the room when Holtz-Eakin said he “can’t explain that and won’t pretend to.”

“It’s not a transparent arrangement, and it does produce upward pressure on drug prices and the negotiation between the [pharmacy benefit managers] and pharma in terms of the net cost,” Cornyn said.

— When Sen. Kamala Harris advocated at a CNN town hall this week for doing away with private health insurance to make way for Medicare-for-All, she stepped into an area of specifics that made her vulnerable to criticism.

Harris’s suggestion that the United States should “move on” from private health insurance, “drew attention to the fact that the Medicare-for-all plans backed by 16 senators — including five potential candidates for the Democratic nomination — would in effect remove private health insurance from the estimated 251 million Americans who use it, broadly disrupting the industry and the way Americans experience the medical system,” our Post colleague [Annie Linskey reports](#).

There was a swift response from Republicans as well as from Howard Schultz, the billionaire coffee tycoon considering an independent presidential run. “That’s not American,” the former Starbucks chief executive, said on CBS News. “What’s next? What industry are we going to abolish next? The coffee industry?”

Annie compares the remarks in part to President Barack Obama, who was criticized for saying about the ACA before it was implemented: “If you like your health-care plan, you’ll be able to keep your health-care plan.”

“On the campaign trail, candidates often hear complaints from voters frustrated by rising drug prices, staggering and widely inconsistent medical bills, skyrocketing deductibles, unaffordable premiums, and difficult-to-conquer bureaucracies, creating pressure to offer a sweeping overhaul plan,” Annie writes. **“But the candidates’ slogans inevitably prove difficult to implement. And often it’s not exactly clear what those slogans meant to begin with.”**

She adds experience suggests voters, “despite their complaints about the health system, often react negatively to proposals for sweeping change, possibly because of uncertainty about what would follow.”

AGENCY ALERT

— On the same day lawmakers were talking drug pricing on Capitol Hill, Health and Human Services Secretary Alex Azar called for pharmaceutical companies to bring down the cost of

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medications, criticizing the companies that “once again announced large price increases” at the beginning of the year.

Azar noted that a goal for the Trump administration is to bring down list prices altogether. “Drug companies defend themselves by pointing out that these annual increases are on the ‘list price’ of drugs,” he writes in a Stat op-ed. “List prices are typically reduced by additional payments to middlemen such as pharmacy benefit managers and health insurers ... But Americans know better, because increases in list prices hit their pocketbooks.”

Azar explicitly writes that “the definition of success for Americans and for President Trump will be lower list prices — not flat net prices or smaller and fewer list price increases.” The inclusion suggests the administration is pushing back on pharmaceutical companies that have so far simply stalled price hikes, wrote Rachel Sachs, an associate professor of law at Washington University School of Law in St. Louis:

—And here are a few more good reads from The Post and beyond:

Bloomberg: Medicare-for-all 'would bankrupt us for a very long time'

Former New York Mayor Mike Bloomberg said Tuesday that replacing private, employer-provided health insurance was financially impossible and a Medicare-for-all system, a popular progressive policy, would not work in the US.

CNN

In dueling drug pricing hearings, lawmakers in both parties slam pharma

Democrats have been making far more noise about high drug prices. But at two dueling hearings, powerful Republicans on each panel made their own mark.

Stat

Congress takes on unexpected medical bills, sparking industry turf war

The Hill’s early steps toward legislating a solution have set off jockeying among deep-pocketed doctors, hospitals, specialists and insurers.

Politics

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Rep. Gwen Moore announces cancer diagnosis and remission

The Wisconsin Democrat said Tuesday that she has been battling small cell lymphoma for the past 10 months. She praised the Affordable Care Act, calling herself “a living example of the lifesaving value of essential health benefits.”

Felicia Sonmez

TRUMP TEMPERATURE

The Fix

Kamala Harris just set the litmus test for Democrats in 2020 on health care, climate change and guns

Democrats are going to be expected to embrace progressive ideas as never before.

Colby Itkowitz

Answer Sheet

Report: Trump’s ‘wrecking ball’ on science is posing a threat to public health and the environment

It cites 80 examples of what it calls the administration's anti-science actions. Here are some of them.

Valerie Strauss

Business

The lowest-paid shutdown workers aren’t getting back pay

Security guards, janitors and cooks aren't guaranteed compensation for lost wages.

Danielle Paquette

MEDICAL MISSIVES

‘I’m Cold and I’m Afraid’: Across Midwest, Homeless Await Deep Freeze

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As health officials issued warnings about the dangers of frostbite and hypothermia, homeless people in the Midwest faced potentially devastating circumstances.

New York Times

INDUSTRY RX

U.S. senator asks J&J for documents on talc, baby powder safety

U.S. Democratic Senator Patty Murray sent a letter to Johnson & Johnson on Tuesd...

Reuters

Community Hospitals Link Arms With Prestigious Facilities To Raise Their Profiles

A growing number of community hospitals are forming alliances with some of the nation's biggest and most prestigious institutions. But for prospective patients, it can be hard to assess what ...

Kaiser Health News

STATE SCAN

Maryland Politics

Md. Democrats want \$15 wage, bans on 3-D guns and Styrofoam, lower drug prices

With a bigger veto-proof majority than last year, Democrats are pushing a progressive agenda.

Arelis R. Hernández

Baltimore to Stop Prosecuting Marijuana Possession Cases

Marlyn Mosby, the city's top prosecutor, says she will no longer prosecute marijuana possession cases and will vacate thousands of convictions.

New York Times

SECOND OPINION

PowerPost

Shutdown leads to continuing psychological issues for federal employees

There hasn't been as much talk about the lingering emotional and psychological issues from the partial government shutdown, but that stress can lead to "increased work-family conflict" and other problems, according to research.

Joe Davidson

DAYBOOK

Today

The 2019 CMS Quality Conference [continues](#) in Baltimore.

Coming Up

Kaiser Health News [holds](#) a live taping of its podcast "What The Health?" on **Thursday**.

SUGAR RUSH

The political pitfalls in the race to 2020

Paige Winfield Cunningham

Paige Winfield Cunningham covers health policy and authors PowerPost's daily tipsheet The Health 202. She previously covered health-care for Politico, where she wrote the daily Pulse tipsheet. She has appeared on multiple media outlets including C-SPAN, CBS, MSNBC, Fox News, Fox Business and WJLA. [Follow](#) 
