

Opinion-Editorial: A Health Fix For Mom and Pop Shops

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Small-business owners and their employees often struggle to find affordable health-care options. A major reason is that ObamaCare, among other laws, makes coverage more expensive for small businesses than large companies. That's why the Trump administration is expanding access to association health plans, or AHPs, beginning Tuesday.

ObamaCare imposes starkly different rules on large companies and small businesses. Companies with 50 or fewer employees are subject to the law's benefit mandates and rating restrictions, while large companies are not. This is backward. Small businesses should face the same regulatory burden as large companies, if not a lighter one. AHPs will help level the playing field.

Large companies enjoy economies of scale, which give them increased bargaining power and the ability to self-insure and spread risk among more employees. By contrast, small businesses are buyers in a seller's market, lacking the scale to bargain effectively or spread costs and risk.

These hurdles have real effects on the small-group health-insurance market. As the cost of insurance for small businesses has increased, the percentage of small businesses offering health-care coverage has dropped.

Association health plans are straightforward: Small businesses, including self-employed workers, may band together by geography or industry to obtain health-care coverage as if they were a single large employer. Before, most of these businesses could purchase health insurance for their employees exclusively through the small-group market. Now business associations—from city chambers of commerce to nationwide industry groups—will be able to offer health-care insurance to members through the large-group market.

This new scale and access means AHPs can offer more options at a better price. Some four million additional Americans will enroll in, and benefit from, AHPs within a few years, according to the Congressional Budget Office. Among the enrollees will be about 400,000 Americans who are currently uninsured.

The AHP rule includes safeguards. The health-care antidiscrimination protections that presently apply to large businesses will also apply to AHPs organized under this rule, as will other consumer protections. The rule simply allows small businesses to access the same insurance market, with the same protections, as the one used by large companies.

AHPs are required to file annual reports with the Labor Department, including data about finances, compliance, and consumer protections. To curb fraud, the AHP rule requires that employer members exercise control of the association by electing its governing body, for example. The Labor Department is also working with state insurance commissioners, who continue to have jurisdiction to prevent and prosecute fraud.

ObamaCare's problems can't all be fixed through regulatory changes, as many have argued on these pages. Congress must act, but President Trump will take action to provide whatever relief is within executive authority. Expanding AHPs is an example of such action, and it will help millions of Americans.

Mr. Acosta is secretary of labor.