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STATEMENT
of the
Federation of American Hospitals
to the
U.S. House of Representatives Committee on Education and Workforce
Subcommittee on Health, Employment, Labor, and Pensions
Re: "A Healthy Workforce: Expanding Access and Affordability in Employer-Sponsored Health Care"

April 2, 2025

The Federation of American Hospitals (FAH) submits the following statement for the record in advance of the House Committee on Education and Workforce Health, Employment, Labor, and Pensions Subcommittee's hearing entitled "A Healthy Workforce: Expanding Access and Affordability in Employer-Sponsored Health Care".

The FAH is the national representative of over 1,000 leading tax-paying hospitals and health systems throughout the United States. FAH members provide patients and communities with access to high quality, affordable care in both urban and rural areas across 46 states, plus Washington, DC and Puerto Rico. Our members include teaching, acute, inpatient rehabilitation, behavioral health, and long-term care hospitals and provide a wide range of inpatient, ambulatory, post-acute, emergency, children's, and cancer services.

The FAH commends the Subcommittee's commitment to promoting access and affordability in employer-sponsored health care. The Government Accountability Office estimates that in 2023, 165 million individuals receive their health coverage from an employer-sponsored plan.[1] The FAH supports healthy competition in the insurance marketplace which, in turn, promotes affordability. Unfortunately, the expansion of Association Health Plans (AHPs) would lead to market instability and weaken comprehensive coverage. Instead, we urge policymakers to focus on solutions that preserve comprehensive coverage while addressing cost concerns. Extending premium tax credits to ensure affordable coverage options for small businesses in the marketplaces would help control costs without sacrificing essential benefits.

[1] GAO | https://www.gao.gov/products/gao-25-106798

Under federal law, coverage offered by large employers is exempt from a set of standards and consumer protections that insurance offered to small employers and individuals must otherwise meet. Specifically, by being considered a single large group, association-sponsored coverage could avoid important consumer protections including minimum benefit standards, annual and lifetime limits on cost sharing, rules that limit underwriting of premiums, single risk pool requirements, and participation in risk adjustment. Associations could further take advantage of the looser restrictions by underwriting premiums offered to certain small employers to discourage enrollment of less appealing groups.

For example, they could offer coverage only in geographic areas where they determine healthier individuals reside, and they could manipulate the health care benefits they offer in ways that make their coverage unappealing to individuals who need access to more comprehensive health care. This segmenting of risk would result in higher and increasing premiums for individuals left out of associations, which could spiral over time, ever worsening adverse selection that would destabilize the non-AHP products.

The current limitations on AHPs protect consumers from decreased access to accessible, low-cost coverage options. The 2018 rule incentivized plans to reduce the generosity of health care benefits, jeopardizing affordable access to meaningful coverage for those individuals who need health care the most.

An expansion of AHPs would:

- Destabilize health insurance markets and create different rules for AHPs.
- Diminish access to comprehensive health coverage, thus harming consumers, particularly those in most need of health care services.
- Incentivize the growth of multiple employer welfare arrangements (MEWAs), which have a long history of past abuse and failure.[2]

Conversely, the health insurance marketplaces create a competitive market for people, particularly those who are self-employed and small business owners, to shop for commercial coverage offered by private insurers. The Enhanced Premium Tax Credits (PTCs) set to expire this year promote choice in the market and ensure the availability of affordable commercial insurance options. Without these tax credits, nearly 20 million people would be forced to pay an average of 90 percent more for their health care coverage, with Americans living in southern states and the heartland disproportionately feeling the financial impact. As insurers begin the process of setting rates for products in this market in the coming months, it is critical that Congress take action to prevent these premium increases.

The FAH and its members urge the Subcommittee to carefully consider the ramifications of AHPs and instead examine options to promote access and affordability in the private market by extending premium tax credits.

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[2] See, for example, FAH, "Re: Definition of Employer under Section 3(5) of ERISA-Association Health Plans [EBSA-2018-0001; RIN 1210-AB85]," March 6, 2018, p. 5. Since 2018, DOL has taken civil and criminal enforcement action against 21 MEWAs to protect participants and beneficiaries from fraud or mismanagement of such arrangements. In the last five years, the Department has civilly recovered over $95 million from mismanaged or fraudulent MEWAs (88 Fed. Reg. 87,973).

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We look forward to working with you on these important matters. If you have any questions or wish to speak further, please do not hesitate to reach out to me at cmacdonald@fah.org.

Sincerely,