



June 24, 2024

The Honorable Bill Cassidy, M.D.
Ranking Member
U.S. Senate Committee on Health, Education, Labor, and Pensions

Via email: IndependentWorkforce@help.senate.gov

Re: Request for Information, Portable Benefits

Dear Senator Cassidy,

On behalf of the Active Benefits Committee and the Individual and Small Group Markets Committee of the American Academy of Actuaries (Academy),¹ we appreciate the opportunity to respond to the Senate Committee on Health, Education, Labor, and Pensions [request for information](#) (RFI) regarding portable benefits for self-employed workers and other individuals in nontraditional working arrangements. We share the goal of ensuring that these workers have access to health insurance coverage.

Self-employed workers currently have access to portable health insurance coverage through the individual market. Depending on their income, they may have access to premium subsidies. In addition, self-employed individuals may be able to deduct their net out-of-pocket premiums from their income taxes.

Current laws and regulations may make it difficult for independent contractors and nontraditional workers to obtain health insurance coverage through an employer. We would like to share with the committee two of our publications that can provide insights regarding expanding the coverage opportunities for self-employed workers and other individuals in nontraditional working arrangements.

The RFI expresses interest in exploring whether association health plans (AHPs) could help meet the needs of these workers. AHPs were developed by the insurance industry, in part, to provide health insurance vehicles for nontraditional workers. The Academy's issue brief [Association Health Plans](#) raises the potential implications of expanding the ability for small employers and individuals, including those in nontraditional working arrangements, to obtain coverage through AHPs. In particular, the rules that apply to AHPs and how those rules differ from rules in the individual market can affect the availability of coverage through both mechanisms.

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

- AHPs operating under different rules than the individual market could create adverse selection concerns for the individual market.
- AHPs may face increased insolvency risk without clearly defined regulatory authority.
- AHPs would be unlikely to obtain lower provider payment rates than larger insurance companies.

Our paper [Risk Pooling: How Health Insurance in the Individual Market Works](#) provides additional information regarding risk pooling basics, including how adverse selection can occur when plans competing for the same enrollees operate under different rules. These concepts are important to consider when designing new laws or regulations in order to avoid unintended consequences.

- Health insurance premiums reflect the expected costs of the risk pool.
- The Affordable Care Act (ACA) requires individual market insurers to use a single risk pool, so that the costs of all enrollees (healthy and unhealthy) are spread across the entire risk pool.
- Insurers and plans that could avoid the ACA rules altogether could be structured to be more attractive to low-cost enrollees leading to lower premiums for those enrollees. Higher-cost enrollees would tend to prefer ACA-compliant coverage, leading to higher premiums and potentially destabilizing the ACA marketplaces.

The committees appreciate the opportunity to provide comments on the request for information on portable benefits. We would welcome the opportunity to speak with you in more detail and answer any questions regarding these comments. If we can be of further assistance, please contact Matthew Williams, the Academy's senior health policy analyst, at williams@actuary.org.

Sincerely,

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