IOWA BANKERS
BENEFIT PLAN

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Office of Regulations and Interpretations,
Employee Benefits Security Administration
Room N-5655, U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210
Attn: Definition of Employer - RIN 1210-AB85

Dear Ladies & Gentlemen:

The Iowa Bankers Benefit Plan is a self-insured multiple employer welfare arrangement ("MEWA") that provides health benefits to employees of Iowa banks and related organizations (the "Plan"). The Plan is also recognized as a tax-exempt Voluntary Employees' Beneficiary Association ("VEBA") under Internal Revenue Code Section 501(c)(9). On behalf of the Plan, we appreciate the opportunity to comment on the proposed regulations relating to Association Health Plans ("AHPs").

Established in 1978, the Plan has provided affordable, comprehensive health insurance to Iowans for forty years and recently expanded to Minnesota with our relationship with the Minnesota Bankers Association. The Plan currently has 365 participating employers, insuring approximately 27,000 participants. The Plan serves participating employers with 5 to 500 employees, with the average participating employer having approximately 40 employees. The Plan offers cost competitive plan options to participating employers. Employers can choose from a variety of plan designs; however, all plan options cover essential health benefits and have an actuarial value of at least sixty percent.

Due to the success of the Plan and others like it, we understand why regulators want to expand access to these plans and reduce barriers to their formation. However, simply allowing small businesses and working owners to band together to purchase insurance subject to large group market rules will not itself create the type of success the Plan has enjoyed over the years. In addition, it could have significant negative effects on current MEWAs. We urge regulators to closely evaluate the reasons why the Plan and MEWAs like it have succeeded while other MEWAs failed years ago. Any AHP regulation should be carefully crafted to replicate the traits of these successful MEWAs while avoiding the creation of AHPs that do not exhibit those traits and are therefore, likely to fail.

Much can be learned from the success of the Iowa Bankers Benefit Plan. The Plan is the health insurance option of choice for members of the Iowa Bankers Association. We are successful principally because of 1) the loyalty of our membership base, 2) our customer service focus and the value added, cost conscious administrative services we provide to participating employers, 3) our relationship with Wellmark Blue Cross Blue Shield, and 4) the makeup of our risk pool.

1. Association Loyalty Creates Stability

The strong loyalty of our members to the Iowa Bankers Association is key to our success. This loyalty wasn't gained overnight. It was earned from decades of work advancing the interests of Iowa banks, being a trusted resource for members as they navigate industry challenges and standing by members in times of crises, such as the farm crisis in the 1980s. This loyalty provides for a very stable risk pool and consistently low premium increases from year to year without dramatic fluctuations.

Without this trust and loyalty, volatility can be expected with employers coming in and out of the Plan from year to year. Volatility is extremely problematic for a self-insured MEWA. It makes it difficult to set premium rates and predict claims and causes significant fluctuation in rates from year to year leading to further instability for the MEWA.

The proposed regulations do little to foster loyalty between the AHPs and their members. Allowing AHPs to be created for the sole purpose of establishing a group health plan is likely to create AHPs where the only connection between the plan sponsor and the participating employer is the purchase of insurance. As a result, employer members are likely to move in and out of AHPs from year to year based on where they can get the best premium quote, resulting in volatility in the AHP membership. While the proposed rules require the plan sponsor to be controlled by its employer members this control alone is unlikely to lead to the type of loyalty required to keep the AHP's risk pool stable, a key factor in the success of a MEWA.

2. Comprehensive Coverage with Value Added Administrative Support

The coverage and support the Plan offers to its insureds has helped to create and reinforce the success the Plan has achieved. The Plan offers a variety of coverage options for participating employers to choose from; however, all options have an actuarial value of at least sixty percent, and cover essential health benefits. This comprehensive coverage creates confidence and trust in the Plan which would be jeopardized if the Plan started offering "bare bones" plans or catastrophic coverage options that do not cover the basic health care needs Iowans have come to expect from their private health insurance, even prior to the Affordable Care Act. It also helps keep the premiums consistent across the plan options. To the extent the Plan started offering catastrophic coverage options it would likely see higher and more significant premium increases for its comprehensive coverage options. This risk is one of the root causes that have produced instability in the healthcare market as a result of the Affordable Care Act. As has been seen in the post-Affordable Care Act individual market, members typically elect comprehensive coverage when they anticipate significant claims; whereas, when they do not anticipate significant claims these same people either go uninsured or utilize catastrophic coverage. As members bounce back and forth between catastrophic coverage and comprehensive coverage year to year, risks and costs are not adequately and fairly spread. This is akin to allowing a person to purchase flood insurance the day before a hurricane hits land, submit meaningful claims, and then cancel coverage the following month. This is not a sustainable program.

The proposed regulations are likely to cause disruption to current MEWAs and instability among AHPs by allowing AHPs to offer "bare bones" plans and catastrophic coverage options. While we are in favor of expanding coverage options and health insurance choices for small businesses and individuals, we are concerned that introducing AHPs in the manner outlined in the proposed regulations would harm the small group market in Iowa as well as hurt existing MEWAs because members may leave those MEWAs to purchase minimal coverage options through AHPs and potentially return when exposure to significant claims is known. We are also concerned increasing the prevalence of minimal coverage plans will increase health care costs. The more employers who choose to offer only minimal coverage plans, the more individuals must pay out of pocket for their health care needs. To the extent individuals cannot afford the out of pocket costs, these costs are absorbed by health care providers and ultimately increase rates paid by insurance companies, self-funded employers and self-insured MEWAs such as the Plan.

The Plan also benefits from cost conscious, "in-house" customer service and administrative support. When it established the Plan, the Iowa Bankers Association also established Iowa Bankers Insurance & Service ("IBIS") to provide customer service, administrative support and member education to the Plan and its participating employers. Because of the relationship between the Plan, IBIS and the Iowa Bankers Association, IBIS is incentivized to keep its costs low and to provide the best possible service. As a result, the Plan's administrative costs are lower than our competitors while at the same time providing more value to employers. IBIS employs 12 employees who are dedicated to providing administrative support, member education, and compliance assistance to the Plan and its participating employers, including 4 customer service agents who respond to and address questions and concerns expressed by individual insureds. IBIS also assists participating employers with implementing regulatory requirements relating to its employee benefit offerings, including Section 125 plans, COBRA, HIPAA, ACA reporting, and non-discrimination testing.

Because the proposed regulations do not create a strong association tie between the plan sponsor and the participating employers, it is more likely AHPs will pay higher administrative costs to third parties. It is also likely those facilitating the creation and establishment of AHPs may not have adequate incentive to keep these costs low as is the case for MEWAs with a strong bond between the association and its members.

3. Strong Partnership with Wellmark Blue Cross Blue Shield

The Plan's relationship with Wellmark Blue Cross Blue Shield ("Wellmark") is central to its success. The Plan contracts with Wellmark to provide claims administration services and utilizes Wellmark's provider network giving Plan participants access to Wellmark's extensive network at the rates negotiated by Wellmark. Given Wellmark's market share and its ability to negotiate preferential rates; the Plan is able to ensure our insureds have a comprehensive network of providers across the state to choose from at beneficially negotiated rates that could not be replicated by the Plan on its own.

The Plan is also mindful that healthcare happens locally. An AHP that is administered with narrow networks or other restrictions is likely to contain costs on the routine healthcare expenditures, but then experience elevated costs when members utilize specialists or other providers that are out of their network. Predictability of cost is paramount for our insureds to be able to make proper healthcare decisions. Ultimately the debate surrounding AHPs is not one about access to healthcare as much as it is a debate on affordable healthcare. The proposed rules do not fully contribute to the solution of this core issue.

4. Stable Risk Pool & Rating Policies

The nature of the Plan's risk pool and rating policies keep claims relatively predictable which is important to the success of the Plan. Employers are looking for stability and consistency in their health insurance costs from year to year as much as they are looking for the lowest premiums. As discussed above, stability in the risk pool results in predictable claims experience and more consistent cost increases from year to year which makes the Plan attractive to members. The Plan does not age rate, experience rate or rate by bank location. All members pay the same premium for the same plan design. We can do this because of the stability and size of the Plan. In addition, because we only provide insurance to banks and other financial institutions, the population we insure is relatively homogeneous.

Under the proposed rules AHPs would not have to comply with the individual and small group rating requirements; however, they would be subject to new non-discrimination requirements preventing them from varying premium rates based on the makeup of the employer group. Although this does not impact our Plan, these requirements are likely to create greater volatility and instability among new AHPs and existing MEWAs that do vary premium rates by employer, making it more challenging for them to be successful. In addition, allowing AHPs to cover any employer in a State regardless of their trade or industry is likely to result in a less predictable risk pool further creating uncertainty and instability in the pool from year to year.

We are also skeptical of the ability of new AHPs to achieve the same level of success the Plan has experienced if members are able to move between AHPs or in and out of AHPs at will. This churning of the market will undermine the stability of the large pool consistent with what the Affordable Care Act has done with the individual and small group market. Our understanding is an insurer could not decline to quote an AHP and employers could not be denied access to coverage in an AHP based on their participation in another AHP. Ultimately, we believe it will be difficult for new AHPs (especially small and mid-size AHPs) to be successful in that type of environment.

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Due to the success of the Plan and other MEWAs like it, we urge the Department of Labor to avoid adopting regulations that could harm and jeopardize these successes. We ask that the Department of Labor include in any final regulations a provision which exempts current MEWAs, like the Plan, from the AHP regulations unless the MEWA elects to be considered an AHP. This is important due to the inconsistencies between the current AHP rules and the VEBA rules the Plan (and most other MEWAs) are subject to. In addition, for the reasons outlined above, we are highly skeptical of the ability of new AHPs to be successful under the proposed rules. We believe it is likely many will not be successful and new regulations will be necessary in the future to reform these AHPs or the issues they create. Current MEWAs that have successfully operated and have offered affordable, comprehensive insurance options for years should be able to continue to do so under the rules currently applicable to them without being considered AHPs. There is nothing to be gained by endangering currently operating and successful plans.

In summary, the Plan is not opposed to the concept of expanding access to MEWAs like the Plan or encouraging the creation of new MEWAs to provide more affordable options to individuals and small businesses. We are concerned the proposed regulations will not create the type of insurance options for individuals and small businesses that are sustainable in the long term. We encourage the Department of Labor to carefully examine factors which have made current MEWAs successful and put forth regulations that build on these successes.

Sincerely,

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