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Group Purchasing Arrangements

Group purchasing arrangements (GPA) are public or private efforts to allow more than one small or large employer and/or individuals to pool together to collectively purchase health insurance. They seek to achieve lower cost premiums by bringing smaller groups together to achieve the buying power of large groups. Some GPAs are established through state legislation or regulation, while others are formed by associations of employers and/or individuals. There are a number of forms of GPAs, including association health plans (AHP), employer alliances or health insurance purchasing coalitions (HIPC), and multiple employer welfare arrangements (MEWA). Because most states either have a MEWA or have access to one from another state, MEWAs are not included in the coverage matrix. For more information on MEWAs, see the MEWA database at www.hcfo.net/mewa.

Existing GPAs have expanded consumer choice, but there is little evidence that the current models have significantly reduced the number of uninsured.¹ Purchasing arrangements, in theory, could reduce administrative costs and give small groups bargaining clout, thereby reducing premiums. Evidence suggests prices are comparable inside and outside the purchasing groups.² Still, purchasing arrangements continue to be of interest to both state and federal policymakers seeking to use the buying power of large groups to expand health insurance coverage.

GPAs may have an impact on the existing small group and individual markets in a state so there are critical issues for state policymakers to consider, including:

- What groups can come together to purchase insurance?
- What state regulatory rules apply to them?
- Will the regulatory rules (solvency, consumer protection, rate review) that apply to GPAs be similar to other insured groups?
- What will the impact of GPAs be on the functioning of the overall state health insurance market?
- What is the likely impact on the uninsured?

The federal debate on GPAs largely centers on proposals to allow employers or individuals to purchase insurance through AHPs. The federal proposals for AHPs would allow creation of both inter- and intra-state plans, which would not be subject to the many state insurance requirements, including minimum benefit packages, prompt payment to providers, and access to state-required appeals processes (by extending ERISA preemption to AHPs). Proponents for AHPs suggest that small businesses and individuals would gain bargaining power in the markets; however, opponents view dropping benefits currently mandated by state legislation

as a strategy that would likely appeal to only the healthiest groups and raise costs even more for those less-healthy groups who are not in the AHP.

IN-DEPTH: Group Purchasing Arrangement Resources

California Health Care Foundation, *What Would Association Health Plans Mean for California?* January 2004.

California Health Care Foundation, *Insurance Markets: What Health Insurance Pools Can And Can't Do*, November 2005.

Government Accounting Office, *Private Health Insurance: Cooperatives Offer Small Employers Plan Choice and Market Prices*, March 2000.

Hall, M. et al. "HealthMarts, HIPCs, MEWAs, and AHPs: A Guide for The Perplexed," *Health Affairs*, January/February 2001.

Kofman, M. "Group Purchasing Arrangements: Issues for States," *State Coverage Initiatives Issue Brief*, April 2003.

Long, S. H. and M. S. Marquis. "Have Small-Group Health Insurance Purchasing Alliances Increased Coverage?" *Health Affairs*, January/February 2001.

Wicks, E.K. "Health Insurance Purchasing Cooperatives," *The Commonwealth Fund*, November 2002.

State	Group Purchasing Arrangement Description
<p>Arkansas</p>	<p>The Small Employer Health Insurance Purchasing Group Act of 2001 allowed the formation of health insurance purchasing groups for the purpose of buying health insurance. This legislation allows health insurers to offer options to consumers participating in the purchasing group that include all, some, or none of the Arkansas coverage mandates and contains some actuarial protections to minimize the concern of anti-selection.</p> <p>On January 1, 2005, the first health insurance purchasing group in Arkansas was initiated. Administratively housed within and sponsored by the North Little Rock Chamber of Commerce, businesses with fewer than 100 employees and not currently offering health insurance to band together may negotiate coverage with health insurance carriers.</p>
<p>California</p>	<p>PacAdvantage Health Plan was a purchasing alliance, which allowed small businesses and self-employed individuals to buy insurance in California. PacAdvantage offered affordable combinations of health insurance plans for businesses based in California with 2-50 employees. PacAdvantage ceased all coverage December 31, 2006.</p>
<p>Kansas</p>	<p>In 2005, the Small Business Health Care Affordability Act was approved, allowing small businesses in Montana to join a purchasing pool to obtain health insurance. The program provides tax credits to small businesses that are currently offering health insurance and will provide premium assistance for small</p>

	employers that begin to offer insurance through the State Health Insurance Purchasing Pool or a qualified association plan. The program is funded by a tobacco tax.
Montana	In 2005, the Small Business Health Care Affordability Act was approved, allowing small businesses (2-9 employees) in Montana to join a purchasing pool to obtain health insurance. Now called Insure Montana, the program provides tax credits to small businesses that are currently offering health insurance and provides premium assistance for small employers that begin to offer insurance through the State Health Insurance Purchasing Pool or a qualified association plan. The program is funded by a tobacco tax. During the fall of 2006, enrollment in the program was approximately 2200 lives (360 firms).
New Mexico	In 2005, the New Mexico legislature created the Small Employer Insurance Program (SEIP) . SEIP is one of the Insure New Mexico! initiatives that are addressing the problem of the high number of uninsured working adults in New Mexico. SEIP is specifically tailored towards helping small employers and non-profits, with 50 or fewer employees, to voluntarily buy into a state-administered pool if the firm has not offered insurance for twelve months. The pool will be self-funded by premium contributions paid by employers and employees and backed by a stop-loss insurance policy. To maintain the integrity of the risk pool, high-risk SEIP members will become members of the high-risk pool, NMMIP. The SEIP program and NMMIP will use the same administrator so the individuals within the group will not know if they are drawing coverage from SEIP or from NMMIP. The benefit package will be similar to the New Mexico State Coverage Insurance program and NMMIP.
New York	<p>HealthPass allows small businesses (2-50 employees), with an active address in the New York City area, to provide a choice of over 25 health insurance options offered by 6 carriers to their employees. The employer determines their level of contribution and 75 percent of eligible employees must join HealthPass.</p> <p>LIA Health Alliance is health purchasing cooperative that allows small businesses (2-50 employees) and sole proprietors, located in the greater New York City area, to offer employees to select health insurance from 5 carriers.</p> <p>For a list of available health insurance options, please visit the Mayor's Office of Health Insurance Access (MOHIA).</p>
Ohio	<p>Ohio has one of the largest small employer group purchasing cooperatives owned and operated by the Council of Smaller Enterprises (COSE). Started in 1973, this private purchasing cooperative now covers more than 225,000 lives in the greater Cleveland area and retains considerable market share within the small group market.</p> <p>In addition to COSE, Ohio has legislation (Ohio Revised Code 1731.01) that allows small businesses to band together into alliances and purchase health insurance.</p>
Texas	Since the mid-1990s, Texas has had legislation allowing for the formation of group purchasing arrangements . Both small and large employers may join a cooperative; however small employers may only pool with other small employers and large employers may only pool with other large employers. As of December 2006, 38 cooperatives and coalitions were registered with the state.

Wisconsin	In 2003, Wisconsin Governor Jim Doyle (D) signed legislation into law that creates five regional health care purchasing alliances to bring farmers and small businesses into one pool per region. These cooperatives allow groups to directly negotiate with health plans. In 2005, Governor Doyle passed new legislation that removes limits on the number of cooperatives that can be developed in the state. By encouraging the establishment of cooperatives, the hope is that not only will more uninsured individuals access health insurance, but also that competition will increase among carriers and create more options for coverage.
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¹ Long, S. H. and M. S. Marquis. "Have Small-Group Health Insurance Purchasing Alliances Increased Coverage?" *Health Affairs*, January/February 2001.

² Government Accounting Office, "Private Health Insurance: Cooperatives Offer Small Employers Plan Choice and Market Prices," March 2000.

ORIGINAL ONLINE AT <http://www.statecoverage.net/matrix/grouppurchasing.htm>