



WASHINGTON BUREAU
NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

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February 24, 2005

Members
United States House of Representatives
Washington, DC 20515

**RE: NAACP OPPOSITION TO S. 406/HR. 525, THE SMALL BUSINESS
HEALTH FAIRNESS ACT OF 2005**

Dear Representative:

On behalf of the National Association for the Advancement of Colored People (NAACP), our nations oldest, largest and most widely recognized grassroots civil rights organization, I would like to express our opposition to the so-called *Small Business Health Fairness Act of 2005* (S. 406/HR. 525).

This bill would exempt **Association Health Plans (AHPs)** from crucial state regulation and oversight. Rather than solving the many health care issues, S.406/HR. 525 would only serve to create additional barriers for many communities to have adequate access to quality, affordable health care. The NAACP has a long history of working to ensure that African Americans and other racial and ethnic minorities have access to quality, affordable health care.

Exempting AHPs from state regulation would create many barriers for African American families and other racial and ethnic minority Americans and expose them to a host of health care problems, all of which could ultimately result in a loss of health coverage for families who truly need it. These problems include:

- **Loss of crucial protections.** Current state law protections regulate insurance premiums, guarantee payment of claims, and provide a myriad of other critical restrictions. Under the legislation, AHPs could disregard these laws. These state regulations not only govern fair marketing, fair pricing and adequate oversight of insurers, but also families' access to consumer protections, such as the right to independent external appeal of claims denied by their health plan.
- **Inadequate benefits.** Under the proposed legislation, AHPs would also be exempt from all state requirements that insure adequate benefits coverage. These protections include critical procedures and treatments, such as cancer screenings and diabetic supplies and education. These benefits are vital as African Americans tend to have higher incidence of certain disease, such as diabetes, asthma, and certain forms of cancer.

- **Soaring insurance premiums.** Under this legislation, insurance companies selling AHPs would be allowed to ignore state rules that place limits on the amount and frequency of premium increases. Consequently, families could be hit with multiple and ultimately unaffordable rate increases. In fact, the Congressional Budget Office reports that AHP legislation would result in **higher premiums for over 75 percent of small employers.**
- **Discriminatory coverage.** Current state laws prevent insurance companies from discriminating their coverage based on geography that prevent insurance “redlining”. However, the legislation being considered would allow newly created insurers to circumvent these regulations. Because minority families tend to be concentrated in certain areas, these AHP insurers could avoid offering coverage in those neighborhoods. The devastating end result would be a lack of coverage for African Americans and other racial ethnic minorities.
- **Unpaid bills.** The lack of oversight created by the proposed AHP legislation would create a climate that promotes fraud and abuse. Congress granted Multiple Employer Welfare Arrangements (MEWAs) similar exemption from state law and oversight in the 1970s. The results were that families were left with **over \$123 million in unpaid medical bills** when these unregulated health insurance companies failed.

Proponents of this legislation claim that it is a solution of the uninsured crisis facing our nation. While the NAACP agrees that something must be done to address the growing epidemic, S. 406/HR. 525 is simply not the answer. In fact, reports by the Urban Institute and Mercer indicate that AHP legislation would actually **increase** the number of uninsured in this country.

The NAACP strongly supports policies that break down the barriers that many African Americans and other racial and ethnic minorities face when dealing with the health care system. Providing an exemption to state laws and regulations for Association Health Plans is not the answer. We must continue to pass bills that make sense – and oppose legislation that does more harm than good.

The so-called *Small Business Health Fairness Act of 2005* is a misguided piece of legislation that creates insurmountable health care burdens. **The NAACP urges you not to Co-sponsor and to oppose S.406/HR.525** and protect the health care security of our nation’s families. Thank you for your careful consideration of this crucial matter.

Sincerely,



Hilary O. Shelton
Director