

## **Exempting AHPs from State Oversight Would Lead to a Regulatory Vacuum and More Fraud;**

*Georgetown University Study Finds that Federal AHP Legislation Would Threaten Health Coverage and Financial Security for Millions of Americans*

A new study by Mila Kofman, J.D. – Assistant Research Professor at Georgetown University and one of the nation’s leading experts on private health insurance fraud – concludes that exempting association health plans (AHPs) from state oversight “would create a regulatory vacuum” that will allow scam operators to flourish, leaving businesses and consumers at serious risk for “bankruptcy, delayed or foregone medical care, and loss of coverage.”

### **Key Findings:**

- **The elimination of state oversight will leave consumers vulnerable to fraud and abuse – because the bill would prohibit states from protecting consumers enrolled in AHPs.**

States’ comprehensive tools used to prevent, identify, and shut down fraudulent plans and protect consumers would be lost under AHPs and could “not be replicated at the federal level.” The report notes that the “history of scams involving associations demonstrates that when the federal government has had sole oversight authority, fraud flourished with unscrupulous individuals leaving businesses and their workers without health coverage and with millions of dollars in unpaid medical bills.” This is precisely the approach taken under the AHP legislation and would predictably lead to more fraud.

- **The proposed federal regulatory structure for AHPs will expose consumers to more fraud and unpaid medical bills.**

Self-funded AHPs would be exclusively regulated by the federal Department of Labor, which lacks the tools, resources, and culture to protect businesses against fraud. For example, the AHP legislation relies on self-reporting and self-regulation and does not provide DOL with the types of tools it would need to regulate effectively. According to the report, “the bills’ regulatory framework, broad preemption of states, deficiencies in federal regulatory tools, and resource constraints...create conditions that would make it almost impossible for the federal government to protect businesses and workers covered by AHPs against fraud.”

- **Widespread confusion over who has regulatory authority and which rules apply would create an environment ripe for fraud and abuse.**

The AHP bill would create new opportunities for unscrupulous individuals by creating “51 different regulators and sets of rules that scam operators could exploit to avoid regulation.” This confusion would lead to years of litigation, providing unscrupulous operators more time to “collect premiums from unsuspecting customers, embezzle and hide assets, and leave businesses and their workers responsible for millions of dollars in medical bills.”

- **Conclusion:** The proposed legislation would “exacerbate the current problem of health insurance fraud” and “leave small businesses and their workers unprotected...The consequences are predictable: bankruptcy, delayed or foregone medical care, and loss of coverage for America’s small businesses and workers.”