

Bill Aims To Open Up More Health Insurance Options For Small Businesses

[Andrew Kitchenman](#) | June 24, 2014

Multiple Employer Welfare Arrangement measure would allow outside investors to fund plans



Meadowlands Hospital CEO Thomas Considine, former state commissioner of banking and insurance.

Small employers have typically been at a disadvantage compared with larger companies when it comes to getting health insurance for their workers, but a measure advancing in the Legislature is intended to level the playing field.

The bill, [A-3421/S-2220](#), would update the state's rules for businesses joining together to provide insurance, an arrangement known as a Multiple Employer Welfare Arrangement (MEWA).

Under MEWAs, a group of employers will self-insure rather than paying a commercial insurer for a health plan. By joining together, companies can spread their risk across a larger pool of insured workers.

MEWAs have a checkered history in the state. They grew in popularity in the early 2000s, but problems emerged with some of them, including the 2002 insolvency of the New Jersey Coalition of Automotive

Retailers MEWA -- with \$15 million of unpaid employee medical bills. Concerns about MEWAs' financial security prompted the state to pass a law regulating them in 2002, which ratcheted down the formation of new arrangements.

Currently, only three MEWAs are operating in the state, and some business executives say the state regulations are proving to be a barrier to more forming. Supporters of the bill say it will both encourage new MEWAs to form and ensure that the arrangements are secure.

Attorney William F. Megma, who represents the two largest New Jersey MEWAs, noted that the state law hasn't been changed since it was enacted in 2002. Since then, the health insurance world has been upended by the 2010 Affordable Care Act.

“With everything that’s happened with the ACA, it just gives them more certainty with how their benefits are going to be provided going forward into the future,” Megma said of business groups that are considering the arrangements. The two MEWAs he represents are the Association Master Trust MEWA (this is the self-funded trust that NJGCA formed with 15 other small business trade associations), which includes members from 16 business associations, and the Affiliated Physicians and Employers Health Plan, which offers access to healthcare providers through the provider-owned insurer QualCare Inc.

The bill has several components:

- Increase the minimum amount that must be deposited to launch a MEWA from \$200,000 to \$300,000 and allow for an investor or financial institution to fund this deposit and to receive a share of underwriting gains.
- Change the basis for requiring the employer members of the MEWA to make a payment, or assessment, from whether it operated at a loss the previous year to whether it’s determined to be necessary by an actuary.
- Exempt larger employers in MEWAs from following state regulations intended for small firms.

“A couple of these changes were long overdue, relative to the fact that the act has not been changed in over 12 years,” said Megma, who said there is a growing interest in MEWAs in New Jersey and other states.

John Sarno, president of the Employers Association of New Jersey, agreed that it’s been too long since the state updated the regulations.

“This bill is five years too late,” said Sarno, whose association has been adding 100 members per month to its MEWA, which is part of the Affiliated Physicians and Employers Health Plan.

Sarno said MEWAs have been attractive in recent years, as small employers were uncertain about the insurance options available to them under the ACA.

But Sarno, a lawyer, also questioned the piece of the proposed bill that allows investors to share in the financial gains of a MEWA. He said that provision appeared to be in conflict with the federal law governing MEWAs and other self-funded plans, which requires that any financial gains be used to benefit plan members.

Along with the arrangements represented by Megma, the third MEWA in the state was formed with the backing of Meadowlands Hospital. It is now legally separate from the hospital.

Hospital CEO Thomas Considine, a former state commissioner of banking and insurance, said the bill helps address a goal identified by Gov. Chris Christie’s transition team examining insurance in 2009 -- increasing the health plan choices available in the state.

“One of the things the transition team commented on was the lack of competition in the healthcare space,” said Considine, a member of that team. “MEWAs are a way of achieving some level of competition.”

Considine said his hospital didn’t take part in drafting the bill but hospital officials supported it once they were aware of it.

“The law really was overly conservative and as a result there were virtually no market participants in the MEWA business,” he said.

New Jersey Business & Industry Association Vice President Christine Stearns said her association -- the state’s largest business group -- is still reviewing the bill. She noted the challenge of crafting rules that ensure that the arrangements are both secure and viable.

“We support employers having a wide range of (insurance) purchasing options and MEWAs are one of those options,” Stearns said.