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Small Business Is Latest Focus in Health Fight

By [REED ABELSON](#)

As the number of people without health insurance continues to rise, many states and Congress have begun to focus on one of the biggest causes: the growing number of small business owners and their workers who are unable to afford coverage.

The states are taking a variety of approaches. To help ease the burden of insurance premiums that have roughly doubled since 2000, some, like Arizona, are extending tax credits to small employers that provide medical coverage.

Others, including New Mexico and Montana, are exploring ways to let small businesses band together to amass the purchasing power of big employers. Massachusetts plans to let small businesses benefit from its state-supervised insurance program. And some states, like Colorado, have passed tougher laws governing what insurers can charge small companies.

“States are being aggressive experimenters, and those lessons learned are going to be invaluable to us in looking at national health reform,” said [Michelle](#) Dimarob, manager of legislative affairs for the National Federation of Independent Business.

Congress, meanwhile, is considering legislation that, among other steps, would make it significantly easier for small businesses to organize insurance-buying pools. Despite bipartisan backing in both the House and Senate, it is uncertain whether the bills can be passed in this, an election year. But proponents say the legislation would almost certainly be reintroduced next term.

Because smaller businesses cannot spread the costs and risks of an individual’s high medical bills over a large work force the way a big company can, they often must settle for less-generous coverage that leaves workers with substantial out-of-pocket medical expenses. Many small employers simply choose not to provide health benefits, which can cost more than \$12,000 a year for a family of four.

Of the 47 million uninsured people in this country, at least 20 million are employed by small businesses or work for themselves — a figure that has increased by an average of more than 500,000 a year since 2000. That is why, even as the presidential candidates [John McCain](#) and [Barack Obama](#) are floating ideas for making insurance easier to obtain by individuals, there are also efforts under way to address the needs of small businesses.

“Half of the uninsured people in our state are working for small business,” said Nancy Wyman, the state comptroller for Connecticut.

Despite broad interest in the issue, though, making significant changes at the state level can be difficult,

politically and practically, as Connecticut's recent experience shows.

In June, the state's Republican governor, [M. Jodi Rell](#), vetoed a measure passed by the Democratic-led legislature that was meant to help small employers by letting them join a state-run insurance-purchasing pool.

Big insurers lobbied heavily against the move, arguing that it would do nothing to stem the rising health costs that are reflected in high premiums.

"This debate continues to focus on the premiums rather than health care costs," said David R. Fusco, the president of Anthem Blue Cross and Blue Shield in Connecticut, the state's largest insurer for small businesses. "We have to look at the issue of the underlying cost."

Connecticut Democratic legislators have vowed to try again next year.

Massachusetts, in its widely watched effort to overhaul health insurance, has focused so far on making affordable coverage available to individuals. But later this year the state plans to expand the program to small employers, letting them participate in the state-supervised marketplace set up to give individuals group purchasing power.

Nationally, the percentage of businesses with fewer than 200 employees that offer insurance fell to 59 percent last year, down from 66 percent as recently as 2002, according to the Henry J. Kaiser Family Foundation. And less than half of the smallest companies, those with under 10 employees, were providing coverage last year.

Not only does the cost of insurance tend to be a bigger burden for a smaller business, but Jon R. Gabel, a health policy researcher at the National Opinion Research Center at the [University of Chicago](#), estimates that small firms pay 18 percent more for the same insurance than big companies.

And employers that do continue to provide health benefits are tending to ask workers to pay more of the overall premiums. So even when small business owners offer coverage, their employees may not be able to afford to sign up.

Louis Lista runs the Pond House Cafe in Hartford, where he employs about 50 people, depending on the time of year. Some of his workers are dishwashers, making just \$10 or \$11 an hour. Although Mr. Lista pays half of the cost of coverage, his employees must nonetheless come up with as much as \$150 a month for their share of health insurance. Some choose to go without.

"When they're sick, they go to the emergency room," Mr. Lista said. One of his waitresses who has chosen not to take insurance, for example, recently ran up \$15,000 in medical bills from an emergency room visit. "She doesn't have the money to pay for it," he added.

In Connecticut, Governor Rell has said that despite her veto she wants to work with legislators to address the concerns of small business. Legislators had sought a way for small businesses to join with the state's 200,000 employees to spread their risks and take advantage of the state's negotiating clout with insurers.

Even before the governor's recent veto, Connecticut had already taken significant steps meant to help small employers provide affordable health coverage. It was among the first, for example, to pass laws intended to limit the large annual jumps in premiums that tend to plague small businesses.

"Connecticut was one of the first states to do it right," said Gary Claxton, who researches health insurance for the Kaiser Family Foundation.

But even Connecticut has yet to find a way to reduce the potential risk to a small company or insurer if even a single employee develops a serious illness and runs up tens or hundreds of thousands of dollars in medical bills.

And small businesses in Connecticut and elsewhere still complain of the shock of sharply higher rates when, for example, they replace a 25-year-old man with a 35-year-old woman — insurers know that women tend to go to the doctor more frequently — or when a worker celebrates a milestone birthday.

In Virginia, a florist shop in Culpeper that covers three people had its premiums raised by more than 50 percent last year, after the owner turned 60. The business, which pays the full premium for employees, now spends nearly \$1,800 a month on health insurance, up from \$1,100, and it elected not to seek a reduction in rates by cutting benefits.

Cutting benefits is "not fair to your employees," said Carol Inskeep, the shop's manager. Many small business owners say it is hard to understand how their insurers are pricing the premiums. "The last few years have been puzzling," said Thomas Massingham, a florist in Dover, N.H., who employs three people and pays half of the cost of their coverage.

Mr. Massingham has seen premiums go up by about 50 percent in some years, only to fall drastically after New Hampshire in 2006 began forbidding insurers from using the health of a company's employees to set premiums and put stricter limits on rate increases. Even so, this year he was faced with a rate jump of nearly 40 percent, to about \$600 an employee a month, to keep the same coverage.

By switching the type of plan and raising everyone's annual maximum out-of-pocket expenses to \$2,000, up from \$1,500 last year, he limited the premium increase to 15 percent. He and his employees will split the \$500 monthly premium per person.

State laws now typically make it impossible for businesses to cross state lines to create their own purchasing pools, and small companies have had little success to date in being able to band together in sufficient numbers within state borders.

But the federal legislation would let businesses form such purchasing pools more easily, even across state lines. The legislation would also prevent insurers in any state from basing their premiums on the health status of employees — a prohibition now on the books in only a minority of states. The legislation would also offer tax credits to businesses that provide coverage insurance to their employees.

The Senate version of the bill, introduced in April and supported by Democrats [Dick Durbin](#) of Illinois and [Blanche Lincoln](#) of Arkansas and Republicans [Olympia J. Snowe](#) of Maine and [Norm Coleman](#) of Minnesota,

would give states the ability to regulate the insurance plans offered through the pools, to prevent them from being abused. A similar House version was introduced this month.

The bipartisan legislation is supported by a number of small business groups, including the National Federation of Independent Business, as well as consumer groups.

The states, meanwhile, will continue experimenting with their own efforts, according to Richard Cauchi, who follows state health initiatives for the National Conference of State Legislatures. "There's certainly momentum and growing interest on the state level," he said.

In Connecticut, Ms. Wyman, a Democrat who supported the measure the governor recently vetoed, continues to push for creation of some sort of state-directed purchasing pool. But she recognizes the challenges ahead. "This is not an easy problem to solve," she said. "We know it."

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