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Fairness on health insurance

By Steven Baddour and Jon Hurst | July 30, 2005

A BURNING question for Massachusetts lawmakers as they ponder major health reform legislation: Why do health insurance companies in Massachusetts that reimburse hospitals the same rate for the same service charge a small business person \$2,000 more per year for health insurance than an employee of a large corporation?

The answer is simple -- because they can. There is no competition and no regulation to prevent this price inflation from happening. In Massachusetts, large companies negotiate with insurers for a competitive rate for their employees as a group. But for small business people, state law prohibits them from joining together to do the same. The result is that small business owners are left to choose between paying inflated annual premiums or going without health insurance.

Given the situation, it is not surprising that small business owners in Massachusetts face an acute and growing problem -- providing reasonably priced health insurance to their employees. Today, approximately 460,000 Massachusetts residents are without health insurance and small business employees comprise nearly 60 percent of all uninsured workers in the Commonwealth.

This discriminatory policy not only hurts small business owners, it hurts everyone; the annual cost for caring for the uninsured has recently been estimated to cost nearly \$1.1 billion.

As the Legislature considers a major overhaul of our health care system, it should address the unfair situation that is facing the small business community in Massachusetts. Thankfully, the solution is within arm's length.

Some states, including California, Connecticut, and Washington, have successfully established purchasing pools to help small businesses provide health insurance to workers.

These purchasing pools are Association Health Plans. By permitting small firms to join such a plan, the Legislature would help close the huge gap in premiums between small businesses and large companies making insurance more affordable and thus expanding health care coverage.

A recent study released by the Beacon Hill Institute found that Massachusetts could reduce the number of uninsured people by almost 25,000 and result in more than 4,000 firms offering insurance to their employees. The report also showed this would net the state close to \$50 million in savings by pulling folks out of the free care pool.

Associate Health Plans once existed in Massachusetts, but faded because there were too many of them. To deal with that issue, we're supporting a proposal before the Legislature that would create a single, centrally administered purchasing pool that would negotiate premiums and would administer plans for all participating small businesses.

Under this approach, small businesses would see a variety of benefits -- lower premiums, more options of insurance plans to choose from, increased price stability year-after-year and increased productivity from a healthier, happier workforce. Estimates for increased productivity range from \$44.4 million to \$88.6 million.

Opponents of this initiative argue that only healthy employers with young healthy workforces would be allowed membership in an association and allowed to purchase health insurance under this new group. That assertion is false.

This practice of so-called "cherry picking" is strictly prohibited within the proposed bill. Additionally, small business is not a divided collection of healthy and unhealthy companies, but rather it is a reflection of everyday society, employing people of all ages, types and sizes, not to mention health status.

Small business owners deserve a level playing field when it comes to getting the best rate on health insurance for their employees. Association Health Plans would simply lift the current restrictions that prevent small businesses from creating negotiating pools. Associate Health Plans are not only good for business in Massachusetts, they're also a real solution to help take care of workers.

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