

## Affordable Insurance for Small Business

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The 109th Congress will convene early next year. One must hope that the Senate will no longer be the forum for the bitter, divisive political gamesmanship played by Sen. Tom Daschle (D-S.D.), the minority leader who was recently defeated for re-election.

Daschle's departure presents an opening for both parties to proceed with the business of governing by advancing constructive solutions to the serious problems of our nation, including controlling Federal spending and improving our nation's defense capabilities against terrorists and rogue nations.

No problem for small business is more serious than rising health care costs. In recent years, small businesses and their employees have been victimized by "sticker shock" as the costs for coverage have been galloping far beyond the overall rate of inflation.

At this time of year, many small businesses are in the process of renewing their coverage or scrambling to find plans more affordable than those they currently use.

Small business is an important engine in our nation's economy, something that career politicians such as Tom Daschle have failed to truly appreciate. If Daschle did, he would have followed the example set by some House Democrats to allow consideration of a measure that would help ease the burden faced by small businesses in providing coverage for their employees.

The measure that was stalled in the Senate last session would have ushered in "Association Health Plans" which, if implemented, would make a significant contribution to easing the problem of the uninsured and battenning down rising costs.

No senator has been more committed to helping small business overcome the problem of rising costs for coverage of their employees than Sen. Jim Talent (R-Mo.). When he served in the House in the late 1990s, Talent twice led efforts to have the House pass Association Health Plans in the House.

In the 108th Congress, Rep. Sam Johnson (R-Texas), former Representative Ernie Fletcher (R-Ky.) and others in the House did their part to help small businesses, twice passing the legislation, only to see it stall in the Senate but not for lack of trying by Sen. Talent and Majority Leader Bill Frist (R-Tenn.).

Senators on either side of the aisle who fail to see the urgency in enacting this reform simply don't understand the impact rising rates and limited options in health insurance are having upon small businesses.

Mary Hazzard operates a small business called Business AdvantEdge in Stillwater, Minn. Because her business is an

aggregator service (in other words, supplying products to small businesses at discounts because the purchases are pooled), she frequently deals with trade associations representing the travel, financial planning, mortgage and building contractor industries.

They are small businesses, even sole proprietorships, and Business AdvantEdge is able to supply products such as office supplies from Office Depot or Hewlett-Packard computers and printers at the kind of discounts a Fortune 500 company might be able to command due to purchases in large quantities.

That often is not the case with health insurance, even though it is one or two of the top requests of small businesses for assistance. Ms. Hazzard only can offer her small business customers a referral to one health insurance brokerage company that is licensed in more than 30 states.

However, even Business AdvantEdge is having trouble with its own health coverage because it lacks a sufficient number of participating employees to continue being covered by its HMO. Therefore, Hazzard is looking to find new coverage for herself and her company's employees, and she wishes that she could obtain it through an AHP.

Hazzard says small business owners and small trade associations want to provide coverage for employees in part because it helps add to the sense of family inherent in many small organizations.

Part of it is driven by bottom-line concerns. "Many small companies are in competition with much larger business organizations for the best employees. The larger businesses have an advantage in that they often offer much better health benefits packages than the small business can offer," Hazzard explained.

"The House understands that small business employers and employees want this option. The Senate is where the problem has been. But they ignore this at their peril. Small business is the little engine that could in our nation's economy, and it's time that the United States Senate steps up to the plate and makes more health-care options available for the small business employer and employees," she asserted.

A study released last September by the Henry J. Kaiser Family Foundation discovered that only 63 percent of small businesses provide their employees with health insurance coverage. That represents a 5 percent decline from three years earlier.

It is widely expected that small businesses and other employers will once more be confronting double-digit cost increases this coming year.

Last month, the Milliman 2004 Group Health Insurance

Survey projected Health Maintenance Organizations anticipated an 11 percent increase in renewal rates; Preferred Provider Organizations a 13 percent rise. The HMO increase is a slight reduction when compared to the annual rate of increases in recent years, but that is likely to be of no consolation to small business owners and employees who have been struggling with rising costs the last several years.

The projections by Milliman were made for businesses with a 250-employee group. Steve Cigich, the principal consulting actuary for Milliman, contends: "Small business increases tend to be more widely dispersed, so certain small businesses could see increases of a larger magnitude than those [projected by the report.]"

AHPs can help hold the line for small businesses on rising costs. Right now, small businesses, unlike large businesses, labor unions or the Federal Government's employees, are unable to form national alliances to purchase health insurance.

The result is that the onerous requirements for mandated coverage applied by many states serve to jack up the cost of coverage significantly for small businesses. Furthermore, because small businesses often have only a handful of workers, the costs of insuring these small pools are usually quite expensive for insurance companies. There is no economy of scale, as there would be for a Fortune 500 company.

Permitting small business associations such as the National Federation of Independent Business (NFIB) and the National Restaurant Association (NRA) to form national pools would serve to provide the economy of scale that would lead to reduced rates for covering the employees of small businesses.

The trade associations would absorb the costs incurred in administering the plans. That's why many trade associations, including the NFIB, American Farm Bureau, National Association of Manufacturers, National Association for the Self-Employed and the U.S. Chamber of Commerce, have endorsed the concept.

The secretary of labor would be required to regulate the AHPs to ensure avoidance of fraud, a minimal cost when juxtaposed against expanding Medicaid coverage or, worse, national health insurance.

Small business associations would be required to have a constitution and to be operated for reasons other than providing health insurance coverage in order to prevent unscrupulous insurance companies from trying to create "front" associations to sell health insurance plans to healthy prospects.

The Blue Cross and Blue Shield companies stand to have their monopoly status as individual insurers threatened by AHPs and have done everything possible to lobby against them on the Federal level. They have argued that AHPs would lead to "cherry picking" of coverage, whereby only the healthiest employees would receive coverage.

However, as Sen. Talent has countered, the national alliances would absorb costs for covering ill employees of a small

business, dampening the exorbitant cost hikes that would afflict the small business trying to cover costs for its ill and healthy employees now.

The Small Business Health Fairness Act would require AHPs to be must-offer, must-carry health plans that would forbid excluding employees with pre-existing conditions.

Another criticism has been that workers would not receive coverage for procedures that are mandated by state governments because the AHP proposals would not be required to provide quality coverage.

This argument makes little sense, but there are lobbyists who say it with a straight face. Many Americans can tell Congress what it's like to have no coverage whatsoever for illness or injury. The formation of AHPs would help small businesses to provide coverage and even the potential to provide their workers with more choices in terms of their coverage plans. Which is truly the better deal?

Sen. Talent believes that having Congress vote to allow formation of AHPs would lead to lower costs for health care, given that the economies of scale would start to work in favor of small businesses and their employees. Currently, the opposite is true.

Secretary of Labor Elaine Chao, reacting in favor of the recommendation in May by the U.S. Senate Health Care Task Force that AHPs could help make health insurance more affordable for small businesses, said: "One of the biggest problems is that small businesses pay 20 to 30 percent more than do large employers for similar benefits. That's why these small-business health plans are so critical.

"AHPs will help provide small businesses with a secure and affordable way to close the health coverage gap and provide quality health care for their employees. Also, by allowing small businesses to pool their buying power and spread their risk, AHPs will put small businesses on an equal footing with large employers and unions."

The outlook for legislation allowing national AHPs to be established is much more positive in the coming Congress. Sen. Robert Byrd (D-W.V.) announced his support for AHPs earlier this year; so AHPs have a valuable ally on the minority side of the aisle.

Sen. Byrd said: "I hope that, by opening the door to health insurance for more small businesses, this legislation will be a significant step toward reducing the number of Americans who go through life hoping and praying that they do not get sick or face a catastrophic medical problem."

Sen. Byrd will be joined by six new senators who all campaigned on platforms that favored the AHP concept. Senators-elect Mel Martinez (R-Fla.), John Thune (R-S.D.), Johnny Isakson (R-Ga.), Richard Burr (R-N.C.), Tom Coburn (R-Okla.) and Jim DeMint (R-S.C.) all have spoken out in favor of allowing small businesses to form national pools to provide health insurance with more affordable costs.

Obstructionism has been the way business was done in Washington for too long. The unfortunate result is that sensible steps to help small businesses obtain affordable health insurance coverage for their employees through a sensible reform that would avoid huge price tags was not enacted.

Now, a new session of Congress with many new faces may help to bring about affordable health insurance coverage for America's small businesses and their employees. That will come as welcome news to many Americans who own and work for small businesses.

The good news is that relief may soon be on the way. Let's hope so, for the sake of America's workers in small businesses. They deserve an even break.