

Insurance Times: Report: Small businesses need public sector support to offer health plans
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NEW YORK — Despite a number of recent promising initiatives, small businesses searching for help in providing health insurance for their employees are unlikely to find it in the private sector alone, according to a new report from The Commonwealth Fund.

The report's authors say that public sector support -- including expertise, offsetting expenses of the highest cost claims, seed money, and regulatory reform -- is likely to be needed to make business initiatives effective in filling the health insurance gaps experienced by employees of small businesses, who are far less likely to be able to get health insurance through their employers.

The report, *Business Initiatives to Expand Health Coverage for Workers in Small Firms*, by Jack A. Meyer of the Economic and Social Research Institute and Lise S. Rybowski of The Severyn Group, assesses the potential of purchasing coalitions formed by larger businesses to help small firms improve access to health insurance. The report suggests that these measures have experienced only marginal success in achieving their main goal of making insurance more available and affordable for employees of small businesses. The initiatives have gained a larger measure of success in expanding the choice of health plans for these workers.

"Helping small businesses provide health insurance to their employees is an important piece of the puzzle in solving the problem of millions of Americans without health insurance," said Karen Davis, president of The Commonwealth Fund. Davis also noted that business coalitions can bring important assets -- experience and knowledge of the market, clout, and staff -- to smaller firms. But the public sector needs to be a partner as well, in order to provide the stimulus necessary to make these private sector initiatives work. Previous research has shown that in 2000, 99 percent of firms with 200 or more employees offered health insurance to their employees, compared with 67 percent of firms with 3 to 199 workers and 60 percent of firms with 3 to 9 workers.

The report analyzes purchasing coalitions to assess the potential of initiatives that pool risk to improve bargaining power for small firms. The study examined coalitions such as the New York Business Group on Health in New York City, the Pacific Business Group on Health in San Francisco, and the Alliance in Madison, Wisconsin, among others. The researchers found that while some initiatives have made a difference in providing coverage to uninsured employees of small firms, others have died or failed to make it beyond the design stage. They conclude that these efforts alone are not an effective way to address the problem of uninsured workers, and are unlikely to succeed without public sector support.

The study found that:

- The programs have not attracted significant numbers of new participants: with the exception of New York's HealthPass program, only 10 to 20 percent of the companies participating in the programs are offering insurance for the first time. -- The programs have not been able to attract a large enough enrollment to lower costs through administrative efficiencies. -- The programs have been successful in enabling small firms to offer more choices in health insurance to employees, but that reason alone is not compelling enough to induce large numbers of small firms to purchase coverage.
- The expense of launching and managing programs on an ongoing basis is high, and it can take years for the programs to become self-sufficient.
- State regulations limit the programs' ability to meet the needs of small employers.

"If purchasing cooperatives for small firms are to be successful, large employers may have to assure that health plans participate and pass savings on to the buyers," said Jack A. Meyer, president of the Economic and Social Research Institute and lead author of the report. "The public sector may also need to subsidize premiums and develop supportive regulations."

The report outlines additional roles the public sector can play by:

- Providing seed money and other resources to support a small-group program until it can become self-sufficient.
- Providing flexibility for small-group programs to design benefit packages that work for small businesses.

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