

Small Business Health Insurance Solutions

By Ken Daniel, TIBA, Updated October, 2008

Four key issues to get *businesses* with 1-10 employees to buy health insurance:

- GET COSTS REDUCED.
- SIMPLIFY THE BUYING PROCESS.
- MAXIMIZE SINGLE FAMILY POLICIES.
- GET MORE MONEY INTO THE SYSTEM.

Get Costs Reduced

Move to individual policies from group policies¹:

- Kansas single: \$2363 vs. \$3588 – saves \$1225
- Kansas family: \$5011 vs. \$9420 – saves \$4409

Move to high deductible policies from full coverage policies:

- Saves 40% ± on insurance portion
- Saves some or all administrative costs on non-insurance portion
- Saves 40% ± of premium taxes
- Saves 40% ± of high-risk pool assessment

Use consumer-directed health care plans to get consumers involved in saving on health care expenditures:

- Health Savings Account Arrangements (HSAs)
- Health Reimbursement Arrangements (HRAs)
- Flexible Savings Arrangements (FSAs)
- Shared-pay plans

Simplify the Buying Process

Establish on-line sales of health insurance.

Enable and assist associations in providing member assistance and services.

Establish availability of health data to remove red tape from application process.

Get More Money into the System

Allow employers to contribute to costs of individually-owned policies of employees without triggering small group laws.

Allow and help owners and workers in small businesses to purchase health insurance and health care with pre-tax money.

Governments provide subsidies, vouchers, or tax credits.

Make sure consumers have “skin in the game”, preferably percentage co-pays instead of fixed-dollar co-pays.

¹ “2007 Health Insurance Overview and Economic Impact in the States”, Center for Policy and Research, America’s Health Insurance Plans, www.ahipresearch.org.

The Uninsured Problem is a Small Business Problem!

The uninsured problem IS a small business problem. Sixty percent¹ of the uninsured are in families where one or more adults works full time in a small business.

The Uninsured in Kansas (KHI, February 2008)

Group	Total	Uninsured
All adults (1,619,713)	1,619,713	251,261 (16%)
Under 10 Employees	269,87	68,120 (25%)
10 to 24	108,848	22,858 (21%)
25 to 99	189,312	26,504 (14%)
100 to 499	215,768	19,419 (9%)
500+	590,552	64,526 (11%)
Not employed	245,361	49,906 (20%)

Percent of Workers Covered by Their Employers²

Size of Firm	2000	2005
3-24	50%	41%
25-49	63%	55%
50-100	60%	59%
All 3-199	57%	50%
All 200+	67%	66%

NFIB SURVEY (FEB-MAR 2006)³

What is the BEST general approach to controlling health care costs?

1. 49% – Individuals shopping for the best prices in health care and health insurance.
2. 28% – Government regulating health insurance and health prices.
3. 17% – Employers choosing/purchasing health insurance on employees' behalf.

Proposal: Equalize the tax benefits for the purchase of health insurance between those who have employer-sponsored health insurance and those who purchase insurance individually.

1. 60% – Favor, strongly
2. 20% – Favor, not so strongly
3. 4% – Oppose, not so strongly
4. 4% – Oppose, strongly

¹ This is a national statistic.

² National statistics – Kaiser Family Foundation

³ This was a national survey.

Do you agree or disagree with the following statement: I would like to get out of the “employee health insurance business,” but I really can’t, given the current way health care is financed and delivered.

1. 35% – Agree, strongly
2. 35% – Agree, not so strongly
3. 22% – Disagree, not so strongly
4. 4% – Disagree, strongly

What are the Problems?

Small business employees get few or no tax breaks.

The red tape burden weighs heavily on small businesses.

Business turnover – new businesses are not taking up insurance.

Self-insured large companies are not subject to Kansas law.

Fully insured small businesses are subject to a wide range of Kansas laws and taxes:

- Mandates⁴ concerning coverages and providers.
- Enrollment requirements.
- High risk pool charges.
- Charges for bankrupt carriers.
- Marketing practices oversight.
- Claims handling requirements.

Potential Solutions

Tax Equity

Consumer-Directed Health Plans

Encourage Individual Policies

Association Health Plans

Mini-Med Policies

Mandate-Lite Policies

Avoid and Reduce Mandates

Allow the Purchase of Policies from Other States

Strengthen Policies for 2-10 Groups

(See also “Small Business Health Insurance Solutions.”)

⁴ Kansas has 37 such mandates. Some states have none.