



Small Business Premiums: The Third Rail of Massachusetts Healthcare Policy

By Jon B. Hurst, President



The Retail Review

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On January 1, 2020, Massachusetts small businesses with 50 or fewer employees will presumably enter a world of government imposed marketplace discrimination which is unmatched in 49 other states. At that point, health insurance coverage purchased by the small businesses for their employees will be priced the same as buying 50 individual policies. There will be no pricing adjustment for the fact that small group employer has lower administrative costs, or is actuarially a better risk due to better claims experience compared to individuals. This is the final nail in the coffin of local small business fairness under a discriminatory process which began in 2006 under RomneyCare, and has continued in recent years by the preemptive requirements of ObamaCare.

The little understood public policy position of Massachusetts health insurance law is that employees of small businesses must pay more than their fair share so individuals can pay far less. This cross subsidy principle exists only in Massachusetts—not in the other 49 states—and also doesn't apply to larger employers of 51 or more. Whether designed intentionally that way, or the result of unintended consequences, this is the fault of bad public policy. It is not the fault of the normal targets of our high health care cost discussions: teaching hospitals, big pharma companies and other high cost providers. Rather the fault lies squarely on both Beacon Hill and Capitol Hill.

It all comes down to the quagmire of government required and allowed risk pools. In 2006, under Chapter 58—aka RomneyCare—Massachusetts combined the non-group (individuals) and small group (50 & under) risk pools into one merged marketplace. The only state in the country—then and now—to do so, it was intended to help mitigate premium increases of individuals. And the result was large, double digit premium reductions for individuals, yet painful and damaging double digit increases for those working for small firms. Part of the political deal for the risk pool merger was that state rating factors would be in place to protect small businesses and their employees, and to help ensure relatively fair premiums for all of those in the merged risk pool. Rating factors such as size, cooperative purchasing groups, industry sector, and participation rates helped make the premium increases a bit more affordable, and more fairly distributed costs.

But that deal was broken with the passage of the ACA, which envisioned health insurance markets like Massachusetts had prior to 2006, and as exist in 49 other states—separate non-group and small group risk pools. The ACA preempted the important Massachusetts state rating factors which were intended to make premiums somewhat fairer for the employees of small businesses forced into the same risk pool as individuals.

The federal government granted Massachusetts a small group premium glide path through the end of 2019 in eliminating the state rating factors, in order to phase in

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January/February 2019

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Small Business Premiums: The Third Rail of Massachusetts Healthcare Policy

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premium increases for local small businesses and their employees; as well as to give state elected officials the opportunity to go back to separate non-group and small group risk pools like the rest of the country.

That hasn't happened; thus we are facing the reality of no favorable premium pricing opportunities for our small businesses one year from now; and the resulting "only in Massachusetts" small business requirement to in effect pay individual premium pricing for all of their employees.

This premium cross subsidy public policy has been swept under the rug, and not openly discussed due to both the complexity, and political fallout of asking small businesses to pay more so individuals can pay less. Making the situation even worse is the migration in recent years of lives from MassHealth (the state's Medicaid program), to ConnectorCare, which is part of the same risk pool as small employers. Resulting utilization trends were certain to be felt by small firms in the Merged Market pool.

The unfairness is clear. All of us are asked under the ACA to cross subsidize individuals' health insurance costs through our taxes, through plans available through the exchanges like our Connector. Yet no employer of 51 or more—not the Group Insurance Commission which provides coverage for our state public officials, nor any large employer groups—are asked to also cross subsidize individuals through their premiums. That costly mandate falls only to those consumers working for small businesses in Massachusetts.

The state has recently noted that individuals in Massachusetts buying through the Connector have the second lowest premiums in the country. At first blush, this is quite an accomplishment for one of the highest healthcare cost states in the USA.

But not discussed as openly is the fact that small businesses and their employees in the state have the second highest premiums in the country, nor the real reasons behind this rather disturbing and discriminatory premium contrast. (Sources: Kaiser Family Foundation analysis of healthcare.gov data, and US Agency for Healthcare Quality, Medical Expenditure Panel Survey). And to go along with those unaffordable premiums, the majority of small businesses in Massachusetts are forced into high deductible plans, with far more employee cost sharing than occurs with large government and big business employers.

And that premium contrast is about to get even worse one year from now due to the ACA total elimination of the Massachusetts state rating factors.

This unfair level of cross subsidies from employees of small businesses to individuals must end. Those who work for small businesses are just as healthy as those who work for big government or big business, and to force them alone to pay more so individuals can pay less is blatant discrimination under the law and in the markets.

And small businesses compete every day with big businesses not only for customers, but also for employees. Government must stop forcing employees of small business to pay higher premiums for inferior coverage.

It's time to come clean and admit the mistakes the Commonwealth made in hurting small businesses back in 2006, and how the ACA made those mistakes far worse for our small employers. Efforts to get more flexibility out of Washington, or to change our own laws to assist Main Street Massachusetts must be the primary healthcare priority of 2019.



A PRESCRIPTION TO HELP MAIN STREET MASSACHUSETTS

As we prepare for the year ahead and look optimistically at the future, many small business owners are facing 2019 with fear for their profitability, given new state payroll mandates on wages and paid leave.

Effective January 1, small businesses saw the increased mandated payroll costs of a \$1 minimum wage hike. This increase is on top of a \$3 increase which was just fully implemented two years ago, and is the first step of a \$4 increase over 5 years. Together, the \$7 hike over 9 years represents an 88% increase over a period of time in which the cumulative inflation rate is unlikely to exceed 20%. But it isn't just the wages of new employees, it's the compression effect of higher wages right up the ladder, along with the mandated Social Security, Unemployment Insurance (UI) and workers compensation premiums that come with it. And on July 1, those payroll taxes will also include a new state family and medical leave tax on employers and employees alike.

In the day and age of the smartphone, you can't just raise prices to cover these new costs and expect consumers to still pay you for your goods and services when they can buy anywhere. So to balance out the new mandated payroll costs, Beacon Hill should do the following in 2019 to ease costs:

1. Fix the Small Business Health Insurance Crisis. Massachusetts has the second lowest individual premiums, yet the second highest small business premiums in the country. At the same time large employers pay far less for far better coverage than do small employers. That is shockingly unacceptable, and is due to discrimination under the law and in the markets.
2. Pass Marketplace Fairness Legislation Post the Wayfair Decision. With states now having greater ability to enforce sales tax collection by sellers on the internet given the Supreme Court decision last summer in the SD vs Wayfair case, legislation should now be passed to lower the Massachusetts threshold established by Department of Revenue regulation in the fall of 2017. The regulation set a \$500,000 sales trigger, which should now be considerably lower. In addition, legislation facilitating the collection of sales taxes for those vendors utilizing "marketplaces" should also be passed in 2019.
3. Close the Loopholes In The UI System. Massachusetts is ranked 50th by the Tax Foundation for unemployment insurance systems. In short, employers and employees alike abuse the system due to an inadequate eligibility system.
4. Prevent Local Ordinances Affecting Consumer Choices. Many states by law prevent local ordinances affecting interstate commerce, but MA does not. So a patchwork on tobacco sales, plastic bag usage, water bottle sales, etc., has emerged across the state due to organized special interest group efforts before 351 cities and towns. These affect local stores, but unfortunately not the new Internet competition. For consumer choice and small business competitive reasons, require statewide standards for consumer product sales.
5. Pass a Teen Wage. Thirty-nine states have them. Let's make sure 14-17 year olds have the learning and earning opportunities they need, and small businesses have the incentives to hire them.

Business Owners Wanted:

RAM wants to work with you to host local meetings with legislators and media.

Are you interested in inviting your local State Senator & State Representative to your business?

Are you willing to talk to the media about these key retail concerns?

Let's work together to save retail in your community and on all MA Main Streets.

Contact RAM at 617.523.1900 or email us at info@retailersma.org to get the ball rolling.

Do You Qualify for the MA Small Business Sales Tax Exemption on Energy Purchases?

Does your business have five or fewer employees? And did your business have a gross income of less than \$1,000,000 last year? If the answer to those questions is yes, you likely qualify for the state's Small Business Tax Exemption.

Sales of gas, steam, electricity and heating fuel are generally taxable when sold to businesses. However, all businesses with gross income of less than \$1,000,000 for the previous calendar year and that reasonably expect to have gross income of less than \$1,000,000 in the current calendar year, that have five or fewer employees are exempt from paying a sales tax on their purchases of gas, steam, electricity and heating fuel solely for their own use.

Thousands of small businesses in MA have been claiming this exemption for years, but there are many thousands more out there that likely qualify but have yet to take advantage of it.

New process for small business energy exemptions

As of January 1, 2019, small businesses will be required to request an energy exemption certificate online through MassTax-Connect. Businesses will no longer file on paper with Form ST-13. Current 2018 exemptions have already been automatically extended through March 31, 2019. No further action is required of the business to receive the extension. More information is available on the DOR website.

For further information or assistance with regard to this matter contact RAM Vice President, Bill Rennie, at (617) 523-1900 ext. 11 or brennie@retailersma.org.



MASSACHUSETTS DEPARTMENT OF REVENUE

Christopher C. Harding, Commissioner

RAM News

Congratulations to Larry Mulrey as he Enters Retirement!



After 6 years as RAM's Health Insurance and Human Resources Director, Larry Mulrey has retired. Larry was responsible for assisting members enroll in RAM's Health Insurance Coopersative (RAMHIC).

We wish Larry all the best in his future endeavours – including spending time with his beloved wife Diane, their two adult children, Lydia and Larry, their spouses Kenny and Sandra and all their grandchildren. He is also looking forward to doing some traveling especially to warm weather locales. We thank him for his year's of dedicated service.

Anyone who has questions about RAMHIC can reach out to RAM's Membership Director, Andi Shea at ashea@retailersma.org or call 617.523.1900.

MA Retail Merchants Workers' Compensation Group Update

- Savings from the 20% deviation in the 2019 policy year are \$4,881,000. The dividend payout in Feb is projected to be \$2,375,000.
- Up-front savings from discounts of \$56,166,000 (including full year 2019) and dividends (through November 2018) of \$69,300,000.
- This translates into a savings of 37.6% of member's premium.

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Governor Baker files FY20 State Budget Proposal

Includes Marketplace Sales Tax Collection & Proposal to Require Earlier Sales Tax Remittance

Gov. Charlie Baker filed his FY20 state budget proposal which includes a number of new policy proposals of interest to the retail industry.

As requested by RAM, the Governor's budget includes the extension of sales tax collection responsibility to marketplace facilitators and those out-of-state sellers that sell through marketplaces. This important step to update the Commonwealth's sales tax collection laws is in line with similar actions being taken across the country in the wake of the Wayfair Decision, and will bring us closer to true marketplace and sales tax fairness between all sellers. The budget also paves the way for the MA Department of Revenue (DOR) to lower the thresholds set in its October 2017 regulation (Vendors Making Internet Sales) which established an economic nexus standard. Those standards (\$500,000 in sales AND 100 or more transactions) are expected to be lowered by regulation, reflective of the standards set in the Wayfair decision. As you may know, RAM had filed legislation last week addressing both of these issues, but ideally, we can convince the Legislature to retain these provisions in the budget as the process moves forward.

The Governor's budget also proposes changes to the state's sales tax collection and remittance process. For the past two years we have fought against and defeated proposals calling for "Real Time" sales tax collection. Currently, vendors collect and remit MA sales tax by the 20th day of the following month. This year, the Governor has proposed changes directing the DOR to – by regulation – require a preliminary remittance prior to the due date of the sales tax return, for vendors who annually remit in excess of \$100,000 in sales tax. In informal discussions with the Administration, this has been described to us as a possible preliminary payment at the end of the third week of that same month. The vendor would then remit the remaining collections for the rest of the month and reconcile the difference by the end of the third week the following month. This is not presented as a "Real Time" collection proposal, but rather a change in the remittance due date, moving the bulk of the remittance up by about four weeks. The Administration estimates that this will result in a one-time revenue boost of \$306 million.

These proposals can be found in the Outside Sections of the Governor's budget, in Sections 25, 26, 34, 36-39, 69 and 70.

The Governor's budget now goes to the House, which will release and debate its own budget proposal in mid to late April. As the budget moves forward, your input is critical. Please provide us with your thoughts and feedback on these important sales tax issues by contacting RAM Vice President, Bill Rennie, at brennie@retailersma.org, or (617) 523-1900, ext. 110.

Paid Family and Medical Leave Regulations

The newly established Department of Family and Medical Leave (DFML) has released draft regulations necessary for the implementation of the Massachusetts Paid Family and Medical Leave Law (PFML). RAM members are urged to visit the DFML website at www.mass.gov/orgs/departments-of-family-and-medical-leave for more information, including a copy of the draft regulations, instructions on how to submit comments, an implementation time line, and frequently asked questions.

In addition to submitting comments regarding the draft regulations to the DFML, members are also encouraged to forward a copy or any other feedback to RAM General Counsel, Ryan Kearney via email at rkearney@retailersma.org or by fax to 617-523-4321.

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MEMBER BENEFIT



Hundreds of RAM members are saving on their health insurance premiums and taking advantage of additional money saving benefits by enrolling in coverage through the RAM Health Insurance Cooperative (RAMHIC).

RAMHIC offers a variety of plan options from Fallon Health and Blue Cross Blue Shield of MA (BCBSMA). All plans offered come with a 1% upfront premium discount and cooperative membership provides members with access to additional cost saving options not available in the open market.

To start taking advantage of these cost saving options members may contact their broker or our providers directly to request a quote.

For more information regarding these offerings as well as additional ancillary benefits please visit our webpage at

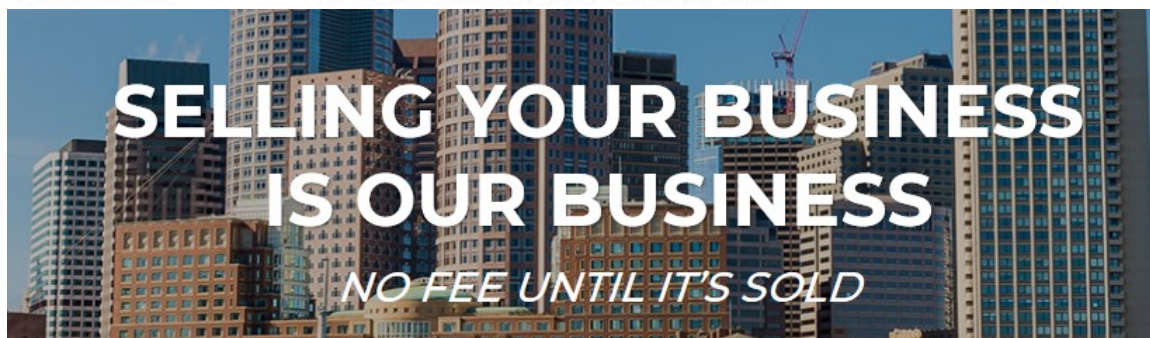
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RAM also works with Met Life for Dental and Vision. For more information, please call Ann Dickey at 800-456-8715.



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Want to know if your sore throat is strep, or your fever is the flu?
If your doctor's office is closed, consider skipping the emergency dept. and finding an urgent care center near you.
You'll save almost \$100 on average and have a shorter wait, too.

Need care today but your doctor's office is closed or you can't get an appointment? You might not need to visit an emergency room. There are now more than 200 retail clinics and urgent care centers around the state. They can help with many health issues that require attention but are not life-threatening.

Retail clinics are often located within large pharmacy chain stores and staffed by nurses. In addition to offering vaccinations and yearly wellness exams, retail clinics can diagnose and treat minor health conditions, such as upper-respiratory and sinus infections.

Urgent care centers, on the other hand, usually include physicians on staff who can diagnose and treat more serious conditions including those that might require an x-ray, like a broken bone. Urgent care centers may also offer treatment for complex chronic conditions.

Retail clinics and urgent care centers typically have shorter wait times than emergency rooms, are in convenient locations with easier parking, and they cost less, too. For an emergency room visit, the average cost to insurers and patients combined is just under \$900, with the patient copayment averaging \$118. At urgent care centers, the total bill averaged \$149 and patients paid copayments averaging \$33. At retail clinics, the total cost was \$69 and patients paid \$20, on average.

For more information and to find urgent care centers and retail clinics near you visit:

BCBS: <https://myblue.bluecrossma.com/health-plan/emergency-room-alternatives>

FALLON: <https://www.fchp.org/members/doctors-facilities/need-care.aspx>

HPHC: <https://www.harvardpilgrim.org/public/plan-details/urgent-care-options>

TUFTS: <https://tuftshealthplan.com/member/our-plans/tufts-health-direct/your-health/urgent-care>

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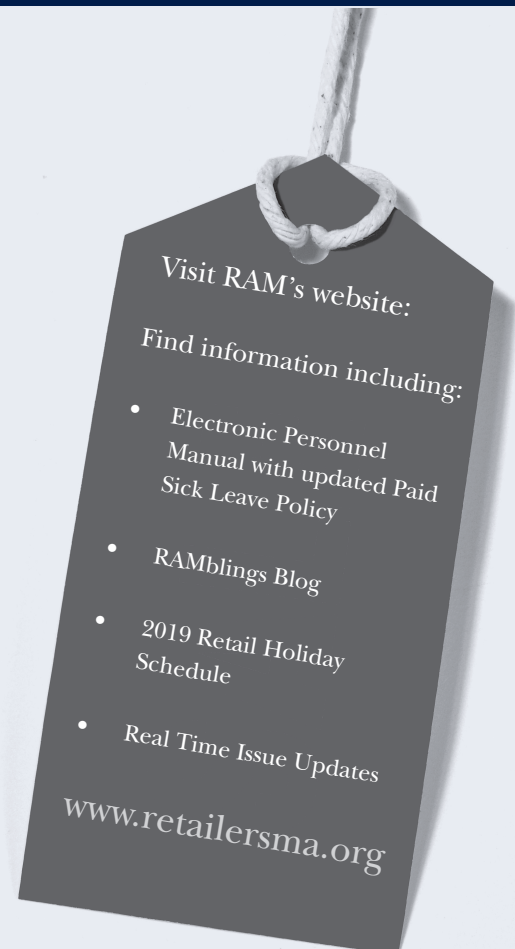
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