



OPINION | JON B. HURST

Small businesses are taking the rap on health care costs



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By Jon B. Hurst

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When it comes to health care in Massachusetts, there's good news and bad news. The good news? The state recently announced that individuals who buy health care through the Health Connector, our health care exchange, pay the second lowest premiums in the country. The bad news?

According to the Massachusetts Health Policy Commission, small businesses and their employees in the state have the second highest premiums in the country.

At first blush, the disparity doesn't make a lot of sense. After all, Massachusetts has some of the highest health care costs in the nation. But the reason for the discrepancy is straightforward enough: Small businesses are effectively subsidizing individual health care premiums in Massachusetts. Employees of small businesses are required to pay more than their fair share so individuals can pay far less.

And it's about to get worse. Next year, small businesses in Massachusetts with 50 or fewer employees will receive no pricing adjustment for purchasing health care in bulk for their employees, their lower administrative costs, or the fact that their employees are actuarially a better risk compared to individuals. And to go along with those unaffordable premiums, most of these employees will be forced into high deductible plans, joining the nearly 60 percent small-business level already seen, which requires sharing more of the cost with their employer compared with government and big-business work settings.

How did we get here? As with all things health care related, the story is complicated. But it began with a process a dozen years ago under RomneyCare. In 2006, Massachusetts combined individuals and small-business risk pools into one merged marketplace. The only state in the country — then and now — to do so, the goal was to help mitigate premium increases of individuals. And indeed, the law delivered large, double-digit premium reductions for individuals, subsidized by painful and damaging double-digit increases for those working for small firms.

Part of the political deal for the risk pool merger at the time 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. Factors such as size, cooperative purchasing groups, industry sector, and participation rates did help make the premium increases a bit more affordable, and those factors also helped to more fairly distribute the costs.

Unfortunately, that deal was broken with the passage of the Affordable Care Act, which preempted these Massachusetts state rating factors intended to make premiums somewhat fairer for the employees of small businesses. To mitigate this pain, the federal government, in eliminating the state rating factors, granted Massachusetts a small group "premium glide path" through the end of 2019 in order to phase in premium increases for local small businesses and their employees. That

afforded state officials the time to go back to separate nongroup and small-group risk pools like the rest of the country.

That hasn't happened — and as a result, small businesses in the state find themselves staring down the barrel of no favorable premium pricing opportunities 10 months from now.

Notwithstanding the myriad twists and turns the story has taken, asking small businesses to pay more so individuals can pay less is unfair — and the wrong way to go about lowering health care costs. This is particularly true as individuals have migrated from MassHealth (the state's Medicaid program) to taxpayer-subsidized coverage at the Connector, which is in the same risk pool as small employers, further increasing small-business premiums.

Making matters worse, this costly mandate falls only to those working for small businesses in Massachusetts. No employer with more than 50 employees is required to subsidize individuals through their premiums. Why should those who work for small businesses — who are just as healthy as those who work for government or big business — alone be required to pay more?

Already, small businesses compete every day with big businesses for customers and for employees. Forcing those who work for smaller firms to pay higher premiums for inferior coverage penalizes both them and the small companies they work for.

Small businesses need Governor Baker and the Legislature to fix this problem this year in order to avert the full-scale disaster facing us. Assisting Main Street Massachusetts must be Beacon Hill's primary health care priority for 2019.

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