RETAILERS ASSOCIATION
of MASSACHUSETTS

The Voice of Retailing

Small Retailers Again Hit With 11% Health Insurance Hikes

For Immediate Release ***April 1, 2015***

Boston—For the second year in a row, the small business members of the Retailers Association of Massachusetts (RAM) are reporting an average premium increase of 11% on their health insurance upon renewal. The two year increase of 22% since the implementation of the ACA (Affordable Care Act) far exceeds the state healthcare growth target of 3.6%, the increases seen by large employers and taxpayer funded consumers, the inflation rate, and the sales growth of Main Street Massachusetts employers. April 1, is historically the largest renewal date for small employers in Massachusetts.

"Double digit health insurance premiums for Main Street brought about by bad public policy is the single largest contributor to stagnant job growth for small businesses," said Jon Hurst, President of the Retailers Association of Massachusetts. "Most of the blame goes to Washington DC and their preemptive ACA actions hurting our small business marketplace, but there is some blame attributable to state government as well."

The Retailers Association of Massachusetts has been surveying their membership every year since the passage of the Massachusetts health care reform—otherwise known as RomneyCare—in 2006. The survey trends (see attached 10 year chart) clearly shows small business premium increases which far exceed other common state benchmarks, including the state's buying groups for state employees (Group Insurance Commission--GIC), as well as the taxpayer subsidized plans available through the Connector. The surveys have shown an average over the last decade of 12.3% increase for RAM members, 4.6% for the GIC, and 2.19% for the Connector's subsidized plans. Those increases are compared to the average inflation rate of 2.16%, as well as the state's target maximum healthcare cost increase level of 3.6% passed under the 2012 Payment Reform Law.

"I find it inconceivable that employees of small businesses in Massachusetts are two, three, or five times sicker than those individuals receiving taxpayer subsidized plans, or those insured through large employers to justify these premium increase disparities," said Hurst. "One can only conclude that an unfair level of cross subsidies under the small business rate making schemes of the ACA are rigging the system against employees of small firms."

The Retailers Association of Massachusetts asserts that three classes of consumers have been created under the ACA: the taxpayer subsidized consumer; the consumer who works for large experience rated or self-insured employers; and those who work for small firms.

Due to federal rate setting requirements under the ACA, employees of small firms are being forced to pay far higher premiums for their insurance in order to lower premiums for individuals. And given the proliferation of new state mandates and assessments, those small business plans have also been required to add on extensive new coverages which are not required for purchase by employees of most large firms. Large self-insured firms are regulated under federal law, and only pay for their own health care claims, not any costs from broader, unrelated risk pools, such as the individual marketplace. Self-insured companies are exempt from both federal and state insurance rate setting requirements, as well as from state mandated coverages. The number of self-insured employers is growing—some believe rapidly—due to the financial benefits of escaping the ACA cross-subsidizing rate setting requirements, as well as an explosion of costly new state mandates.

"Small business health insurance coverage in Massachusetts is now best described as a tax, rather than insurance," Hurst said. "When we set out on reforming health care both in Boston in 2006, and in Washington DC in 2010, the politicians sold us by saying the laws were designed to make sure we were all paying our fair share for our own health care costs. But today employees of small businesses are forced into a system in which they must to pay for coverage levels they don't want, will never use, and can't afford. In other words, they must pay for costs that are simply someone else's. That's not health insurance at all; it's more accurately labeled a health care tax," Hurst said.

The Retailers Association of Massachusetts called for the Baker Administration to push for a full small business waiver from the ACA; and for the Obama Administration and the Massachusetts congressional delegation to push for permanent ACA law changes which will not force small businesses into discriminatory cost and coverage categories. RAM further urged the Massachusetts Legislature to make optional the purchase of any state mandated coverage which is not also covered by all self-insured large firms located in the state and issuing health insurance under federal rather than state law. The state has passed an average of three new state mandates or assessments per year since the passage of RomneyCare nine years ago, usually under the intense lobbying pressures of specialty providers seeking to increase their utilization and reimbursement rates.

"Small businesses and their employees are simply getting hammered due to a rigged system, and it is directly attributable to discriminatory political decisions coming out of Washington DC and Boston. If economic and political common sense does not emerge and prevail soon, small employers in Massachusetts face two frightening futures: the inability to offer affordable health insurance to their current and prospective employees, as well as the 40% "Cadillac Tax" under the ACA in 2018," Hurst concluded.

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The Retailers Association of Massachusetts is a statewide business trade association organized in 1918, with 4000 member stores and restaurants across the state. For more information, contact Jon Hurst at 617-523-1900 or jhurst@retailersma.org

Background & Survey History

Key Factors Leading to the Increases:

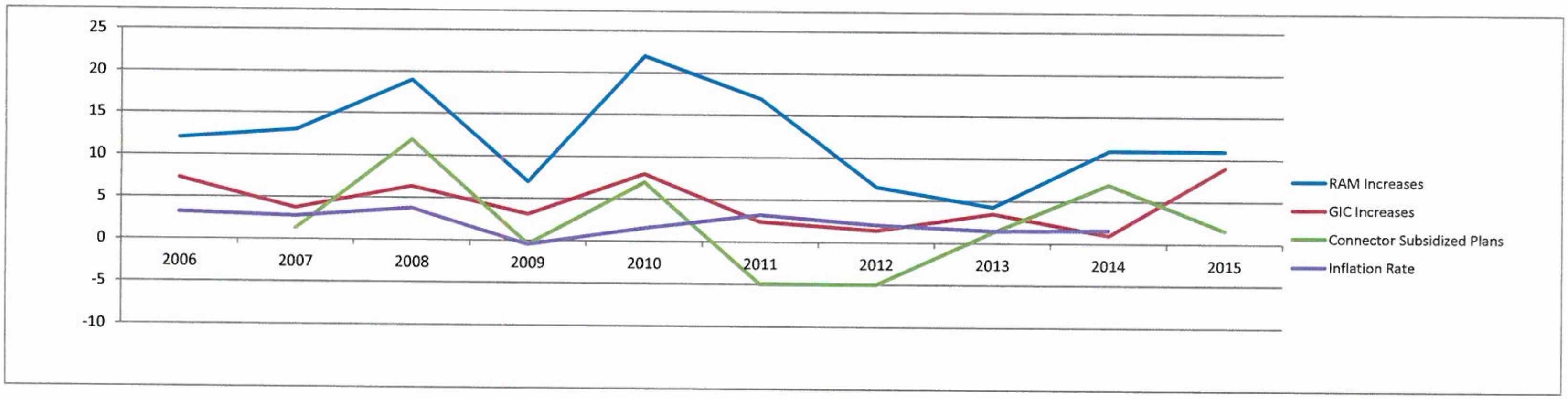
- ACA preemption of state rate setting and the use of certain state rating factors, including small business cooperatives and size rating factors, designed to create fair rates with incentives for small businesses to grow jobs.
- Disproportionate and unfair levels of cross subsidies from employees of small businesses to finance the coverage of subsidized individuals—something that doesn't happen with large, experience-rated or self-insured employers due to separate risk pools.
- The proliferation of state mandates and assessments in Massachusetts. 24 have been passed and mandated since passage of RomneyCare (an average of 3 per year), and they are largely avoidable by big self-insured entities operating under federal law. (A 2014 Division of Insurance study showed 12 state mandates not covered at all by over 90% of self-insured plans in state during plan year 2013). Lobbied through by specialty providers, Big Pharma, etc., the interest groups look to increase their utilization and reimbursements with the new mandates, but they primarily affect employees of small businesses, as well as state taxpayers due to inclusion in Medicaid plans.
- Due to a combination of the cross-subsidizing ACA rate setting requirements and the proliferation of state mandates, more employers are choosing to go self-insured in Massachusetts, which means they can escape both the forced federal rate setting cross subsidies, and the state mandates. According to the MA Center For Health and Information Analysis (CHIA) as of plan year 2013 only 42% of the market is still fully insured (not self-insured). It is expected that the 58% MA self-insured number will grow further and dramatically in 2016 when the ACA requires employers of 51-100 to merge into the state individual and 1-50 small business risk pool. It should be noted that most of the small employers choosing to leave the merged marketplace to go self-insured to avoid the unfair, government imposed higher costs, are good, healthy risks. Therefore when they leave the fully insured market and go self-insured, further premium escalation for those which remain can be expected.

Other Survey Findings:

- 74% of the survey respondents operate from one location
- 39% have 5 or fewer full-time employees
- 81% saw insurance premium increases; 10% saw decreases
- 11% average increases for all respondents; 15% average increases if you factor out the 10% which saw decreases
- $545 average monthly individual premium
- $1500 average monthly family premium
- 38% were utilizing large deductible ($2000 individual/$4000 family) plans
- Only 16% had implemented Flexible Spending Accounts (FSA's) for employee pre-tax savings
- Only 12% are utilizing Health Reimbursement Arrangements (HRA's) in conjunction with their high deductible plans as a tool to lower overall costs for employers and employees

Following Page: 10 Year Survey History

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
RAM Increases	12	13	19	7	22	17	6.6	4.29	11	11
GIC Increases	7.3	3.75	6.37	3.19	8	2.4	1.43	3.5	1	9
Connector Subsidized Plans		1.29	11.86	-0.38	7	-5	-5	1.3	7	1.6
Inflation Rate	3.2	2.8	3.8	-0.4	1.6	3.2	2.1	1.5	1.6	



10 year RAM average: 12.3%
10 year GIC average: 4.6%
9 Year Connector Subsidized Plan average: 2.19%
9 year average Inflation Rate: 2.16%