

Health care plans for small employers spark debate over coverage, regulation

By Dave Flessner - Chattanooga Times Free Press

When Roger Layne left Tennessee Rand Corp. in 2003 to pursue his lifelong goal of operating his own business, he figured he had the experience, contacts and commitment to make his East Tech Co. a success.

But one thing the 54-year-old businessman said he is still trying to figure out is how best to provide health insurance for his 14 employees.

"We're a growing company and fortunately have been profitable since the first month," Mr. Layne said Monday. "But as a small business, we obviously don't have the buying power that larger employers do in the market."

Mr. Layne, who switched health insurers this spring to limit a 16 percent increase in his company's health insurance premiums, believes he and other small businesses could benefit by being able to band together to buy health insurance through federally regulated "association health plans."

The U.S. Senate is scheduled to consider this fall a measure allowing such plans, which President Bush and other proponents contend could lower health insurance premiums for small employers from 15 percent to 30 percent.

The U.S. House of Representatives voted 263 to 165 in July to authorize insurance pools for small businesses outside of state mandates and regulations.

"It's critical that we find ways to make insurance more affordable for the more than 40 million Americans who don't have health insurance," said U.S. Rep. Zach Wamp, R-Chattanooga. "I believe that association health plans are one way of doing that for many small businesses."

Rep. Wamp voted along with seven others in Tennessee's nine-member House delegation in favor of allowing association health plans.

However, critics of association health plans said they worry that such plans would be exempt from state coverage mandates and regulatory protections for consumers and could shift the cost of treating sick people to other insurance plans.

"These plans sound like a good idea, but unfortunately they leave small businesses and their workers unprotected and could hurt the rest of us," said Dr. Gene Caldwell, a retired Oak Ridge pediatrician and former state legislator who now heads a statewide coalition fighting association health plans.

"Without any state oversight, these plans are free to raise their rates at any time and are likely to limit care or cut off employer groups that have too many unhealthy and expensive claims," he said.

Dr. Caldwell said association health plans may "cherry pick" healthy employee groups and force others to absorb the costs of insuring those who are sick or more apt to be injured.

BlueCross BlueShield of Tennessee, the state's biggest health insurer, is joining in the fight against association health plans. Calvin Anderson, a vice president for the Chattanooga-based health insurer, said association health plans would not have to meet state requirements to maintain financial reserves or to cover a wide variety of diseases and illnesses.

"We see AHPs not so much as a threat to us (but) as a threat to the security now provided to consumers who know that their hospitals and doctors will be paid on time and that their benefits and rates are spelled out for the next year," he said.

Without state regulation, Rick Byrne, a market analyst for the health insurance newsletter HealthLeaders in Nashville, said association health plans could lead to more insurance defaults or bankruptcies similar to the problems experienced by some multiple employer welfare arrangements in the 1980s. But proponents of association health plans note that such plans would still be regulated by the U.S. Department of Labor and would be required to abide by all Health Insurance Portability and Accountability Act of 1996 rules to prevent the plans from excluding high risk groups or individuals.

Currently, the National Federation of Independent Business Research Foundation estimates only 41 percent of companies with one to nine employees offer health benefits, compared with 99 percent of large firms.

AHPsNow, a coalition of 180 organizations supporting such plans, estimates that the allowing small businesses to join together and offer alternative insurance options could help as many as 8 million uninsured Americans afford some type of coverage.

Finding ways to broaden health insurance coverage among private employers will become even more important as thousands of Tennesseans lose their government-funded TennCare coverage, backers of association health plans said.

"Access to affordable health insurance is the No. 1 issue for NFIB's 10,000 members in Tennessee and 600,000 members nationwide," said Rob Ikard, state director for the federation which supports association health plans.

He said the federal bill would help small businesses deal with the rising costs of health insurance.



Photo by Lido Vizzutti Machinist Bill Sims finishes holes in take-up brackets that were cut by a vertical CNC machine at East Tech Co., off Amnicola Highway on Monday. The 18-month-old machine shop struggles to provide health insurance to its 14 employees.