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## The little guys are losing out

*Small firms struggle with health care costs*

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It's no wonder many small employers continue to experience double-digit rate increases to their group health plan and are wondering if the health care system is "imploding."

This conclusion is easy to comprehend as their profit margins and employee wage increases never seem to keep pace with their insurance premiums.

Of course, with the advent of the Medicare bill, insurers are rolling out new health plans aimed at lowering their premiums.

They come with many different names: Health Savings Accounts, Health Reimbursement Arrangements, Consumer Driven health plans, and High Deductible health plans.

They are being marketed with a number of creative names, such as employee empowerment, cost-sharing, consumer choice and consumer-driven care.

And they are aimed at making employees smarter or more responsible consumers of health care.

The benefits offered are equally enticing, such as coverage for preventive services, online customer support, more flexibility, more product options, first-dollar limits, tax-deductible deposits and tax-free withdrawals.

At first glance, these plans offer less coverage in exchange for lower premiums and shift more responsibility for health care costs to employees, all of which is not necessarily negative.

Workers, in general, have been sheltered too long from fiscal reality when it comes to the cost of health care.

The concern from an employee standpoint is that there appears to be a sense of urgency to this educational process.

What you will not see in all of the marketing material is the process of qualifying for coverage.

Whether you are an individual trying to get your own insurance, self-employed, or a small employer, you will have to answer a series of health questions before obtaining coverage.

Answering health questions enables insurers to access the risk and to charge what they consider to be an appropriate premium.

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### About the author

Henry C. GrosJean has been an independent agent since 1979, a member of the National Association of Insurance & Financial Advisors and the National Association of Health Underwriters, and is a member of the Continuing Education Committee at the Arizona Department of Insurance. He can be reached at (623) 435-8400 or [henry@grosjean.com](mailto:henry@grosjean.com).

Unfortunately for Arizona employers, insurance statutes allow health plans to impose premium surcharges; for new business, up to 400 percent of a standard premium.

Arizona is one of only three states that have this allowable premium load.

Here are examples of rate changes due to various underwriting factors, showing the rates for small employers of the quoted premium and the final offer when the policy is issued. Note these are monthly!

A single standard premium was quoted at \$204.46 and another at \$390.94.

When the policies were issued, the rates changed to \$968.06 and \$1,829.74, respectively.

Examples of family rates were \$541.72 and \$585.56.

However, on the policy-effective date, they escalated to \$2,686 and \$3,533.89, respectively.

It's no wonder why many employers view this practice as bait-and-switch.

It is also why small employers continue to drop coverage, why employees are asked to accept, in essence, cost-shifting, and no one seems to be listening, especially lawmakers.

Special interests always seem to thwart attempts to mimic other states that appear to have made positive steps toward affordability.

More and more people are being forced out of the health insurance system.

Individuals and/or the self-employed, who are willing to pay more for the privilege of having health insurance, are routinely denied coverage for health reasons.

And small employers lose coverage by default when their benefits severely affect their bottom line.

Small employers, thus far, have neither the political spokespeople nor the financial clout for any relief from Arizona's health-premium lottery.

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