

Health insurance stimulus provision may hurt more than help

Phoenix Business Journal - by [Angela Gonzales](#)

What was intended to help Arizona workers secure health insurance could come back to bite small businesses through increased costs. Some say the plan may prompt business owners to drop employee health insurance altogether.

The American Recovery and Reinvestment Act will provide a 65 percent subsidy for about 7 million laid-off employees. The provision is designed to make it easier for them to keep their health insurance through the Consolidated Omnibus Budget Reconciliation Act, or COBRA.

But it's small businesses that will end up footing the bill, at least initially.

"They're going to have to pick up 65 percent of the cost for nine months," said Henry GrosJean, a small-business health insurance broker in Phoenix. "For those companies that have 20 or more people on the payroll, they're going to have to comply with the new COBRA provisions."

GrosJean said many small businesses won't be able to afford that.

"One reason they laid people off is because of the downturn in the economy," he said. "Now they're being asked to pick up 65 percent of the COBRA premium for the people they terminated."

He envisions many companies dropping their health insurance coverage as a result.

Amanda Austin, a federal lobbyist for the National Federation of Independent Business, said she has some "serious concerns" about employers being forced to bear the financial burden of COBRA.

"I do think it definitely has an impact on employers of all sizes," she said.

Bill Rys, tax counsel for NFIB, said the COBRA measure could begin this month, but it has not been determined when the tax credit will go into effect.

"Eventually, there will be a credit that will cover the cost the employer will have to pay," he said. "But there's going to be a lag time when they get the credit (from) when they have to make the payment. Depending on the situation your business is in, that lag time could pose some financial problems — especially right now, when a lot of smaller businesses are having cash-flow problems."

One of GrosJean's clients, AutoMon Corp., a Scottsdale computer programming firm, is facing a 114 percent increase in health insurance premiums. He said one way business owners can ease that burden is to pass those costs on to employees.

"Some insurance companies like to call that cost sharing," he said. "I call it cost shifting."

GrosJean said the 114 percent rate hike is unusual, but he is seeing increases of 30 percent to 40 percent.

In an effort to help small businesses afford health insurance, NFIB is backing state legislation that already has passed the Committee on Banking and Insurance in the Arizona House of Representatives. House Bill 2323 would decrease the amount of time a company with two to 50 employees must go without health insurance before it can qualify for the business version of a Medicaid-type health plan.

The bill would change the wait from six months to three months, enabling businesses to insure employees sooner.

Michelle Bolton, director of NFIB Arizona, said she would rather see no waiting period at all, especially in these tough economic times.

A companion measure, HB 2324, also has cleared its first hurdle and is headed to the House Rules Committee. This bill would allow insurers to offer individual health insurance products without the minimum coverage requirements imposed by the state.

GrosJean said neither of these bills will have a positive impact on rates.

"They do nothing to deal with the root cause for the high rates in Arizona because of our rating model," he said.

Current Arizona law allows insurance companies to charge up to 400 percent more than the best rate possible, and neither of these bills would change that, he said.

Bolton, however, sees the bills as positive signs. NFIB Arizona members, she said, want more flexibility in the types of plans they offer employees.