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## Fewer small firms offer health insurance

By Julie Appleby

Fewer small employers offered health insurance this year, despite the widespread availability of new, lower-cost high-deductible insurance plans, a survey released today by benefit firm Mercer shows.

Advocates of the high-deductible plans touted them as one solution to the growing number of uninsured, expecting the plans to appeal to small employers, who would continue to offer health insurance as a result.

"That's not happening," says Blaine Bos, a Mercer partner and one of the study authors. "In fact, the reverse is happening." The study of nearly 3,000 employers found that the percentage of employers with 200 workers or fewer offering any kind of health insurance fell to 61% this year from 63% in 2006.

That drop came even as the cost of high-deductible plans with tax-free savings accounts averaged \$5,970 per worker per year. That was \$700 less than a comparable plan without a savings account and far lower than the \$7,120 for the average HMO, the study says.

The finding bolsters concern that one of the biggest hurdles

any state or national health reform effort will face is the question of what is affordable, says Bos. "Defining that number will be a real political and public policy issue as this debate stays on the table."

While high-deductible policies have always been sold, the new type now on the market came after Congress in 2003 allowed certain policies to be coupled with tax-free health savings accounts.

Money not used for deductibles and medical expenses can roll over for use by workers in future years. The plans have a minimum annual deductible of \$1,100 for an individual or \$2,200 for a family.

Forty-one percent of employers with 20,000 workers or more offer such account-linked plans, compared with 7% of employers with fewer than 500 workers. Still, that's up from 5% in 2006.

Currently, about 5% of all workers with insurance have an account-linked high-deductible plan this year, up from 3% last year.

**"That's pretty significant growth," says John Goodman, a longtime proponent of health savings accounts and president of the National Center for**

**Policy Analysis, a non-profit group that backs free-market approaches to issues such as health insurance.**

**"I am surprised it is not doing better in the small-group market," Goodman says.**

He speculates that commission-paid agents don't tout the plans as assertively to small employers as other types of more expensive insurance.

The plans can also be more complex to explain to workers, says Scott Hauge, president of CAL Insurance & Associates in San Francisco, which sells property, casualty and health insurance.

He's happy that he switched his 31 workers to a plan with a deductible of \$1,850 two years ago, seeing his \$144,000 tab for insurance drop by \$30,000, even after he put \$1,850 into each employee's savings account.

More than a third of employers did not make any contribution to such accounts, the Mercer study found, while the average contribution was \$626.

"If an employer can put money into it, most employees come out better with a health savings plan than a traditional plan," says Hauge.