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Health-Insurance Problem Hits Maine Small Business

By U.S. Rep. TOM ALLEN

Maxine Adams, who with her husband owns Commercial Fixture and Display in Biddeford, tries to do right by her 5 employees. That's why the Adamases wanted to provide health insurance for everyone at the company. But it proved to be far too expensive. As a result, they have lost some good employees who had to take jobs in larger businesses that provide health insurance. For themselves, the Adamases make do with a high deductible policy that costs almost as much as their home mortgage.

I know how serious the problem is. Many owners and employees of small businesses in Maine have contacted me, telling me the same story. For companies now providing coverage, premiums are skyrocketing, benefits are narrowing, employees are being asked to shoulder more of the cost, and many fear they will have to drop their plans entirely.

A recent study I requested from the U.S. House Government Reform Committee confirmed the growth and pervasiveness of this dilemma. The report, "Health Insurance Costs Are Rising for Maine Small Businesses" (available from my website, <http://www.tomallen.house.gov>, or by contacting my Portland office at 74-3333) documents an alarming trend. Since 1996, the average cost of fee-for-service health insurance has increased by 76 percent for Maine small businesses (those with 50 or fewer employees). For HMO coverage, the rise is 60 percent.

How many small businesses can afford to pay the average annual premium of \$5,350 per employee for fee-for-service, or even \$3,708 for HMO coverage? In fact, most Maine businesses with 10 or fewer employees do not offer health insurance, and business owners blame its high cost.

The problem of these escalating costs is particularly acute in this

Recently, Merrimack received a notice from its current carrier, Anthem Blue Cross Blue Shield, announcing yet another rise in premiums. Over the last few years, Gilmore has come to expect a hefty increase every year or two, despite reduced benefits and higher deductibles and co-payments. He has shopped around and often switched carriers to keep costs manageable and benefits adequate. This time, the company's total bill would come to \$65,000 a year. Family coverage, for example, would jump from \$200 a month per employee to \$242.

After receiving this shocking news, Gilmore found that by joining a trade group, Maine Metal Products, he can cut his premium increase in half, since his employees would join a larger pool. Coverage will still cost a lot more, and there is no guarantee that the trade group will continue to offer this benefit. But for the time being, he can offer his employees the access to health care and the peace of mind they have come to depend on.

Longer term solutions will not be easy, and will not come without a struggle. But we must begin now. It is my hope that the Government Reform Committee report that I commissioned will help fuel public debate and education. That information is crucial to spurring state and federal governments, the insurance industry and the business community to work together to find creative ways to give all workers quality, affordable health care coverage.

Just a few years ago, seniors struggling to buy exorbitantly priced prescription drugs thought they were alone. At that time, I asked the Government Reform Committee to compare the prices paid by Maine seniors for prescription drugs with prices paid for the same medications by customers with better bargaining power, including federal agencies,

HMOs, insurance companies, patients in other countries, and veterinarians. Those reports, which were replicated in over 100 other Congressional districts, showed enormous price disparities. The information helped create a groundswell of public indignation that pushed Maine, other states and the federal government to work on solutions.

We need to bring about that same level of public awareness to the growing problems in employment-based health insurance.

State because most of us (69 percent) get our health insurance through employment, and half of all Mainers work in small businesses. Access to health care in Maine depends on the ability of small businesses to provide employee health coverage.

Cost is not the only negative trend documented by the study. Consolidation and unprofitability have caused many insurers to drop out of the small business market. While 5 years ago there were 23 such carriers in Maine, now the choice is down to 13. Compounding the problem, several of the companies that dropped out had offered lower-priced policies.

If the upward spiral of costs continues, premiums for HMO coverage for Maine small businesses will more than double over the next 4 years. More and more Mainers will join the ranks of the uninsured, will jeopardize their health by avoiding treatment, and will worry that a major illness or accident will force them into massive debt. This trend also bodes poorly for the economic health of the State, as employers unable to offer insurance find it increasingly difficult to attract and retain workers.

One company that so far has bucked this trend is Merrimack Manufacturing, Inc., a specialized machine shop in Bridgton, Maine. This small business pays the entire premium for its 3 worker-owners and 6 employees, even for family coverage. But one of the owners, Mark Gilmore, worries that this important benefit may soon become unaffordable.