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# Health Care Reform Offers New Challenges, Opportunities for Small Businesses

Health insurance wasn't part of the employee benefits package when [FeeFighters.com](#), a Chicago-based comparison shopping website for credit card processing, launched in 2009. That all changed last March after President Obama signed the Patient Protection and Affordable Care Act into law.

Shortly after the law's passage, FeeFighters.com purchased a medical plan from Blue Cross & Blue Shield and began providing health coverage to its six employees. "We were thinking about offering health insurance, but the PPACA provided the push forward to offer it to our employees," said Sean Harper, the company's cofounder and CEO.

## Small Business Gets In on the Act

As it turned out, FeeFighters.com wasn't alone in its decision: A number of the nation's insurers have [confirmed](#) that more small businesses are offering health care to employees since the passage of the PPACA. Blue Cross Blue Shield of Kansas City, for instance, said that since April 2010, sales in the small group market have increased by a whopping 58 percent, according to Ron Rowe, the company's senior director of Small Group and Direct Pay Sales.

One year after the PPACA became law, the debate over its impact -- and calls for its repeal -- continue around the country. In spite of the controversy, however, many small businesses and some insurers say they now view the law as an opportunity rather than an obstacle. While critics argue that the PPACA makes a complex and expensive process even worse, proponents point to provisions that aim to ease some of the crushing costs shouldered by small employers, which pay on average 18 percent more than larger corporations for the same policy.

One such provision -- a tax credit that can save qualifying businesses with fewer than 25 employees up to 35 percent on health insurance costs -- caught the attention of insurers, which are using the incentive to market targeted products to small firms. Online calculators from [Blue Cross Blue Shield](#) of Kansas City and [Aetna](#), for instance, let visitors determine their potential savings with just a few clicks.

FeeFighters.com had hoped to take advantage of the tax incentive, but it hit a roadblock in the application process. "Because we pay our employees greater than \$50,000 on average, we were not able to [take the tax credit]," said Harper. Disappointed but not deterred, he still plans to qualify by hiring some lower-wage employees in the next couple of years.

[ACI Specialty Benefits](#), which employs 43 people, is another small business that doesn't qualify for the tax credit. But there's another reform measure Dr. Ann Clark, founder and CEO of the specialty benefits company in San Diego, hopes to take advantage of: \$200 million in wellness grants for businesses with fewer than 100 employees that provide workplace wellness programs.

"Since we are in the business of enhancing employee health and well-being, and already have an on-site yoga and Pilates room, we are hoping to secure a wellness grant through the PPACA to help ACI take workplace wellness to the next level," Dr. Clark said.

Another PPACA provision will allow small businesses to purchase health insurance through state-run exchanges starting in 2014. The idea is that by banding together to purchase insurance, small businesses using the exchanges will have access to more options at more affordable rates.

It remains to be seen whether the exchange system, still several years away, will actually have the desired impact on the cost and availability of health insurance. In the meantime, many small businesses are left having to make difficult decisions about employee health care.

"Since the passing of PPACA, many employers have been hesitant to implement a new health insurance plan," said Pete Villemain, owner of [Employee Benefit Services](#), a San Antonio-based broker and third-party administrator of insurance plans. "There is so much uncertainty as to what the future holds that they are waiting for the dust to settle before venturing into such commitment. It is easy to give benefits, but very hard to take them away."

## DIY Health Care an Appealing Option

Todd Miller, owner of [Classic Metal Roofing Systems](#) in Piqua, Ohio, faced this dilemma after his insurance company quoted a 2011 rate increase of 43 percent, which they dropped to 25 percent after Miller told them he was shopping for other options.

"Last year, we did have a couple of large claims," Miller explained. "We had one team member battling cancer and another team member whose family had a premature baby." But offering "a rich plan" to his 55 employees is a priority for Miller, who ultimately left his traditional plan and settled on a more affordable, self-funded program with equivalent coverage.

"Under the new plan, we are responsible for individuals' claims up to \$25,000 per year, and then insurance kicks in after that," Miller said. "While on the surface this program seems a little scary, we believe it is the right way to go." He's confident employees will take better care of themselves, question their bills, and seek out lower-cost options for treatment now that they know their employer is directly responsible for their health care costs.

Indeed, small businesses faced with insurmountable premiums are increasingly turning to alternatives like self-funded plans. "I have seen a huge move by employers to self-insurance from their current insured arrangements," said Joseph Berardo, president and CEO of [MagnaCare](#), a health plan management company in New York City. While companies looking to save money can consider moving to an exclusive provider organization or a health maintenance organization, Berardo pointed to "level funding" self-insured plans, which feature preset monthly payments and stop-loss protection against high claims, as good options for businesses with more than 25 employees. Cigna offers a [level funding product](#) that aims to help clients manage some of the risk usually associated with self-funded plans.

For Frank Riordan, vice president and co-owner of [Becker Trucking](#) in Seattle, saving money on health insurance meant taking a different route: direct primary care medical homes. This relatively new class of health care provider, authorized through the PPACA, allows patients to receive a variety of primary care services for a fixed monthly fee -- typically less than \$100 per month. The medical home model is designed to save money by eliminating insurance-related overhead costs from the health care process.

"Our costs were rising at an unsustainable rate," Riordan said. Last year, the company switched to a high-deductible medical plan in addition to [Qliance](#), an insurance-free, local direct primary care medical home that offers unlimited checkups, exams, and other services to its members. The move saved Riordan 28 percent on health care costs in 2010: He now pays \$245.90 per employee for the medical premium, plus \$54 for Qliance.

"Our employees used Qliance over 200 times [in 2010]," Riordan said. "None of these visits ever hit our insurance policy, and this helped to keep our costs down during our 2011 renewal. Furthermore, our sick time taken went down 24 percent." The Direct Primary Care Coalition website provides a list of [direct primary care practices](#) throughout the United States.

## Experts Counsel Caution

Clearly, navigating the health insurance landscape will remain a complex and challenging process. But whether or not provisions in the PPACA apply to your small business, experts agree that business owners should follow a few key guidelines to control their employee health care costs.

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"Establish a percentage of contribution that you are going to feel comfortable [with] over the next few years, [taking into consideration] an anticipated rate increase on average of 15 percent to 20 percent each year," said Susan Combs, an expert on employee benefits and president of [Combs & Company LLC](#), an insurance brokerage firm in New York City. "Consider offering a low and high option, and establish the percentage of contribution on the low plan. Take a look at everyone's doctors -- the last thing you want to do is put in a plan that is less expensive and then hear all the grumbles of employees that have to change their doctors."

If it's your first time offering insurance, "start very conservative," said Villemain. He recommended starting with a high deductible, educating employees on health savings accounts, and eliminating copays. "With copays, the insured become too removed from the actual cost of health care."

Finally, bear in mind that many businesses view health care coverage as more than just another cost to be minimized or eliminated. At FeeFighters.com, for instance, green-lighting insurance had the added bonus of making the company more competitive when hiring talent. "Our employees truly appreciate having health care paid for," said Harper, "and it shows the company's values are in the right place."

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