

Small Businesses Makes Big Strides in New York

By Jean Oxendine

Closing the Gap, The Problem of Accessing Health Care • August/September 1999

Employees of small businesses are often left without health insurance coverage. A report from the Kaiser Family Foundation shows half of all uninsured workers are either self-employed or work for firms with fewer than 25 employees. Small business owners want to provide insurance at a low cost to employees and they want to have a choice in plans, but very often these businesses don't have the ability to offer insurance in a cost-efficient way, said Rosa Gil, DSW, special advisor to the mayor for health policy and director of the Office of Health Services in New York City. But many small businesses are minority owned and operated, according to Gil.

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Small Businesses on the Rise

The proportion of the workforce doing nontraditional work, such as part-time, contingent, and self-employment has grown in the last decade, according to the Kaiser Family Foundation. As jobs have shifted from high-paying industries like manufacturing to low-paying sectors like retail trade and services, health insurance coverage has declined and costs have risen.

The rise in health care costs has made it difficult for small businesses to begin or continue to provide coverage for their employees. The response of employers to rapidly rising health care costs has not always been to drop coverage, but to increase the employees' share of the premium, and by tightening eligibility requirements for part-time workers, and by replacing full-time employees with part-time workers. Employees working for small businesses who choose to buy their own insurance must pay very high prices, according to the Children's Defense Fund. As many individuals cannot afford these costs, they often go without insurance.

Furthermore, many insurers are unwilling to sell coverage to small firms, according to Kaiser. And in cases where they are willing, some insurer practices in this market have raised concern. Some

companies have refused to sell policies to those whom they felt were of high risk, or they carefully scrutinized the medical histories of prospective enrollees. Unfortunately, the problem extends beyond small businesses, and seems to be worsening. In 1980, the majority of employees at medium and large companies had employers who paid the full cost of family coverage. By 1983, more than three-fourths of these employees were required to help pay such costs.

While the law makers in the federal government continue to hash out the problem of health care coverage, individual states have been busy passing their own laws. Between 1989 and 1995, 45 states passed laws to make health insurance more accessible and attractive to small businesses. Some of the reforms of these new regulations include: allowing insurers to sell “bare-bones” insurance to small firms, which typically cost less; narrow-

ing the range in premiums so that coverage will be more affordable for higher-risk firms; and adding new standards for underwriting and contracting practices that make coverage more attractive and available to employers.

New York State has made the most sweeping standards, starting with a full “community rating” in 1993. The community rating ensures that health insurance enrollment is open, there is no pre-existing condition clause, and no physical examination is required. The insurer can not discriminate for any reason, including age or physical condition; all applicants must be charged the same.

New York City: Small Business Health Insurance

In February 1999, New York City Mayor Giuliani initiated a demonstration project called “Small Business Health Insurance” (SBHI), to make available comprehensive, low cost health insurance to the estimated 26,000 small employers (those with 2-50 employees) located in the predominately minority areas of East Harlem, South Bronx, and Northern Brooklyn.

“We decided to target small businesses after conducting market research of small employers in New York City,” Gil said. The majority of these businesses want to offer insurance, but only 50 percent are currently able to do so. The insurance companies had not been focusing their efforts on small businesses. This project created that competition.

The percentage of small businesses in New York City owned by minorities is very large. Hispanics are much more likely to be uninsured in part because they are more likely to own their own businesses. Among Hispanics ages 18-34, almost 50 percent are uninsured. The lack of insurance affects minorities and immigrants disproportionately, according to Gil.

The New York SBHI program provides health insurance through brokers by Group Health Incorporated (GHI), which was awarded the contract. Most covered services must be obtained within two networks: Generations+ Health Network (Metropolitan and Lincoln Hospitals and affiliated providers), and North Brooklyn Health Network (Woodhull Hospital and affiliated providers).

SBHI is purchased by small employers for themselves and their employees, and the employer chooses what (if any) portion of the premium they plan to pay for the employee. The amount of the monthly premium is \$99.80 per employee, or \$235 for a family policy. This is less than the average cost for small businesses in New York, which averages \$255 per month.



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SBHI is unique in that this is not a government subsidized program, but a market-based product sold like other health insurance through brokers, and available to any small employer. Anyone is eligible for the program, including immigrants, as long as they are employees of small businesses, said Gil. The SBHI program has minimized unnecessary paperwork, thanks in part to the State's community rating.

The program has sparked a lot of interest in New York's small business community. Since February, 23 formerly uninsured small businesses have applied to enroll. If enrolled, this would cover 280 individuals who are now uninsured. In addition, over 350 other businesses have expressed an interest in the program, including those located outside of the demonstration project area. Several hospitals are also interested in attempting a project like SBHI. The Mayor's Office is working to develop the SBHI model for Staten Island.

SBHI has developed strong outreach efforts to spread its word. It has assigned insurance specialists to work on outreach campaigns to educate the community about the program. GHI, along with the Health and Hospital Corporation (New York City's public hospital system), publicized the SBHI program through traditional marketing techniques, such as newspaper ads, posters, brochures and direct mailings. To attract small businesses, a health insurance specialist hired by each of the hospitals went door-to-door in area neighborhoods. They also canvassed health fairs and community centers.

To determine the effectiveness of the marketing and outreach and analyze utilization by new enrollees, SBHI is undergoing an independent evaluation by Pricewaterhouse Coopers, an independent professional services company.

New York Health Purchasing Alliance

SBHI is not the only program helping the uninsured in New York. Starting this fall, the New York Health Purchasing Alliance will offer small businesses a total of 16 HMO,

POS, and PPO options from four health plans. Business with as few as three employees may choose from the 16 plans, according to Gil.

New York City awarded the New York Business Group on Health a \$1 million grant last year to develop more health benefit options for small businesses. The Group's Health Purchasing Alliance unit—a private, non-profit business group established through the support of the Mayor's office—will administer the grant.

The Health Purchasing Alliance will provide employees a choice of insurance carriers that will offer a standard benefit package called a "Health Pass." Employees then choose a plan and become enrolled in a centralized system through their employer.

The Alliance will assist employees in choosing a plan by offering comparative customer satisfaction and quality information on the plans. Small business owners will set the premium contributions at a level the employees can afford. This allows the employers to control benefit costs and increase employee satisfaction.

The Health Purchasing Alliance benefits all involved, according to Gil. Health plans will be able to increase their share of the small group market by enrolling new plan members. Insurance brokers and general agents will now be able to offer customers a product for which there is a demonstrated demand.

The program will reduce premiums paid by New York employers and will make small businesses more competitive and better able to attract and retain employees. And, the overall quality of health coverage for small businesses will be improved.

Many of New York City's more than 200,000 small businesses with two to 50 employees will begin enrollment in September 1999. The Alliance will be sold exclusively through certified general agents and brokers.

For more information on either the SBHI program or the New York Health Alliance, call Dr. Rosa Gil at (212) 7882888. Employers interested in the SBHI may call (212) 501-4HHC. ♦

Number of Uninsured is on the Rise

Though the economy is strong, the numbers and rates of the uninsured continues to go up, according to a study conducted by researchers at The Cambridge Hospital/Harvard Medical School in Massachusetts.

The study was published earlier this year in the American Journal of Public Health (January 1999, vol. 89, no. 1). Researchers concluded that most affected groups were African Americans, Hispanics, children, young adults, and poor and middle income families.

Key facts:

- Between 1989 and 1996, the number of uninsured persons increased by 8.3 million.
- Because Hispanics are the fastest growing segment of population, they accounted for 36.4 percent of the increase in the number of uninsured.
- Blacks and Hispanics together accounted for more than 50 percent of the increase in the number of uninsured.
- By the year 2000, the number of uninsured is expected to reach 44 million.
- Families with incomes below \$25,000 had the highest rates of uninsurance.
- From 1994 through 1996, the largest increase in the uninsured both in absolute numbers and percentage uninsured was among middle income families.

