



Small businesses struggle with health insurance landscape

93 percent of Colorado's population is insured — but fewer than half the state's employees get their coverage through work

BY JAMIE SIEBRASE

There's been plenty of talk about health care since former President Barack Obama signed the Affordable Care Act into law in 2010 — and more than a little debate in Washington under the Trump administration.

Last year, for example, Congress repealed the ACA's individual mandate and announced it would no longer fund cost-sharing reductions, which are high-risk adjustments designed to keep premiums low.

Business owners in Colorado are "confused and concerned," says Hunter Railey, the Colorado outreach manager for Small Business Majority, a national small business advocacy organization.

Without the individual mandate, there could be less incentive for healthy people to buy insurance in 2019 and beyond — and that could cause premiums in the individual market to spike. But Vincent Plymell, communications manager for the Colorado Division of Insurance, doubts there will be a significant jolt. "There was always a concern that the penalties for not having insurance were too small to make a difference," he says.

Although the federal government will cease funding for cost-sharing reductions, "It's still the law that insurance companies have to offer the reduction," Plymell adds.

About 40,000 Colorado customers receive the benefit, and health insurance companies compensated for their loss by raising rates. While other states loaded the extra cost on their silver plan, the Colorado Division of Insurance instructed insurance companies to spread the cost across all metal tiers, mitigating the blow to individual buyers.

These changes to national health insurance laws impact small-group employers in Colorado — but only tangentially. As the cost of health insurance on the individual market goes up, local employees might seek positions with larger companies that offer employer-sponsored health packages.

A Changing Landscape

Health insurance is a major job-related perk, and historically, it's a benefit most Coloradans have received. But as the state's population grew by more than 200,000 between 2013 and 2017, the number of people insured through an employer dropped by nearly 65,000, according to the Colorado Health Institute's 2017 Colorado Health Access Survey.

The ACA requires all large businesses to offer employee health care coverage, or pay a penalty. Small businesses — employers with fewer than 50 full-time equivalent employees — are exempt from "play or pay" penalties but are subject to rating restrictions that don't apply to large companies.

This federal law is a floor, so states have flexibility to regulate their health insurance markets. Colorado expanded its small-group range in 2016 to include midsize employers with 50 to 100 full-time equivalent employees. Bringing in more participants, policy makers hoped, would make it easier for very small companies to offer health insurance.

"The expansion didn't attract as many small employers as anticipated," Plymell says. It's unclear how many midsize, fully insured employers stopped offering health insurance to their employees in 2017.

"Small businesses develop and fail at a rate that makes it hard to track employee benefits," Railey says.

Small-group employers in Colorado who want to provide insurance typically go through a broker. "Tax benefits are available to employers who purchase Small Business Health Options Program (SHOP) plans through Connect for Health Colorado," says Luke Clarke, Connect for Health Colorado's public information officer. But wage and size restrictions on enrollment are tight, he adds, which explains why small business enrollments currently amount to 1 percent of Connect for Health Colorado's total enrollments.

Individual enrollments account for the remaining 99 percent — but that's not to say more Coloradans are buying their insurance on the individual market. Among those who previously relied on their jobs to provide health insurance benefits, an increasing number of local employees are getting insurance through Medicaid or Medicare.

Creative Solutions

As Colorado's economy booms, "Many small businesses would like to offer health benefits in order to attract employees," Clarke says. "The main reason they don't offer coverage is affordability," Railey says, pointing to rising premiums driven by the ever-rising cost of health care.

At Abrusci's Fire & Wine, owners Jeff and Nancy Progar can't offer health insurance, so they attract and retain workers with

progressive vacation plans and profit-sharing options.

"Anecdotally, a lot of employers tell us that it's easier to give their employees a fixed dollar amount for benefits, on top of their salary," Clarke says. Going through the individual market can be costly. One Aspen-based proprietor and his wife paid \$30,000 for insurance this year alone, Railey says.

Small group premiums constrain a small business' ability to grow, Railey says. Colorado's economy is booming, and its unemployment rate hit a record low of 2.8 percent in May; when it's a seller's market for employees, small businesses struggle with recruitment.

Project Rise Fitness is an anomaly in the fitness community. Owner Caleb Sommer has provided insurance for his six employees since 2016. Retention drove the decision, he says, explaining, "Turnover is really expensive. As employees mature in their careers, we have to be competitive with larger businesses in our industry."

There's a silver lining for Colorado's small business owners, Plymell says. "Premiums in the individual market have varied wildly from year to year," he says. "But the small-group market has been stable, which should be comforting for small-group employers."

For the most part, increases to small-group premiums have been "relatively minor, staying in the single-digit range," Plymell says. In July, the Colorado Division of Insurance released preliminary information for proposed health plans and premiums for 2019 for individuals and small groups.

In the small-group market, the average premium increase request is 7.15 percent — the smallest increase in years. And the rates probably won't change this much, says Plymell, explaining, "Some carriers will push back and ultimately ask for less."

"Seven percent doesn't seem like a whole lot," Railey says, "but if you're running a business with slim margins, that's a pretty significant increase."

Association Health Plans

In June, the U.S. Department of Labor released a final regulation that allows small businesses and the self-employed to join together to buy stripped-down health plans. "These plans have traditionally excluded people with pre-existing conditions," says Vincent Plymell, communications manager for the Colorado Division of Insurance. He also noted there was a high incidence of fraud associated with such plans in the 1970s.

Treated as large employers under federal law, so-called association health plans (AHPs) don't have to cover a minimum set of essential health benefits, and they're permitted to use gender, industry, occupation and other demographic factors to set premiums for member employers.

Insurers and health care providers say the plans could lure away healthy people who want cheaper coverage, driving up premiums under the ACA for the sicker individuals left behind. It's too soon to know if this shift will impact employers, Plymell says. "Like other states, Colorado is still trying to figure out the nitty-gritty."

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