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Business Rethinks Stand On Benefits

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Health benefit experts believe the new health care reform law will change the types of coverage small, medium and even large Connecticut companies provide their workers.

There are many factors in the equation and how Connecticut employers react to health care reform is anyone's guess at this point. But there's a growing consensus that further rate increases will force more employers to opt for higher deductible health plans.

The new law could even force some Connecticut companies to drop coverage all together, experts said.

"Most employers are still scratching their heads and wondering what this all means," said Bill Thompson, a principal and consulting actuary for Milliman Inc. in Windsor. "But the idea that some employers may decide to no longer provide benefits is real, and will happen in some sectors."

Beginning in 2014, companies with 50 or more workers must offer health care coverage to employees. If they fail to do, the company faces a fine of up to \$2,000 for per person above the threshold of 30 employees, Thompson said.

But that penalty pales in comparison to the cost most medium-to-large companies in the state pay to provide their workers health benefits.

A company with 50 employees, for example, would only have to pay \$40,000 a year in penalties if the company doesn't provide health care coverage. Comparatively, coverage for a single family can run as high as \$20,000 annually, said Bruce Barth, a partner with the Robinson & Cole law firm in Hartford.

Barth said he has had discussions with officials from one large company that is considering no longer providing benefits, and instead letting their employees buy coverage



Bill Thompson, principal and consulting actuary, Milliman Inc.



Bruce Barth, partner, Robinson & Cole

on the health insurance exchange that will be set up by 2014 for individuals and small businesses searching for affordable coverage.

Fortune magazine recently reported that four large companies, including AT&T, Verizon, Caterpillar and John Deere, have also had internal discussions about dumping their employees' insurance plans.

"Companies are going to be looking at all of their options come 2014," Barth said. "Given the penalties, you can't buy insurance as cheap as paying the fine."

But Eric George, a lobbyist for the Connecticut Business & Industry Association, said it would be a mistake for companies to cancel their coverage.

"Health care benefits are not just something you give out on a whim," George said. "They are thought of as a key component to benefits packages that allow companies to differentiate themselves from each other. It's a huge competitive advantage when you can offer a benefits plan and another company does not."

About 63.6 percent of Connecticut employers provide health insurance to their employees, according to 2008 data from the federal government.

Comparatively only 53.1 percent of Connecticut businesses with fewer than 50 employees provide health benefits.

For small businesses, the health insurance

landscape will change dramatically when the state sets up its Small Business Health Options Program, or "Shop Exchange." The exchange, which must be implemented by 2014, will allow individuals and small employers to pool together to buy insurance. The goal is to increase their purchasing power to enable them to find more affordable coverage.

Ruben Nogueira, co-partner of Norwalk-based Benefit Planning Services, said he believes group coverage will stay in place for most small employers in the state, because tax credits and other financial subsidies provided under the law will help offset costs.

Many companies, however, are likely to shift toward consumer-directed health plans, a trend that has already gained steam in recent years.

A consumer-directed health plan is an insurance coverage with a high deductible that is typically combined with a health-savings account, the tax-advantaged product that is either funded by the employer or by regular contributions from employees. Enrollees use the accounts to pay for qualified health expenses before they reach the deductible.

Already in Connecticut, 182,253 people, or 7.1 percent of the individuals who are insured, use some type of high deductible plan, according to the American Association of Health Plans.

"Since there is a general consensus that the new law will increase rates, it's likely more employers will shift to these types of plans because they are cheaper," Nogueira said.

In terms of what Connecticut employers are doing right now to prepare for the changes, it isn't a whole lot.

"To a large extent, it's a waiting game," said Thompson from Milliman. "Many employers and benefit consultants are still looking for more clarity and regulations from the federal government before they decide on changes for their workers." ■