

NJBIA

AT ISSUE *By Christine Stearns*

Employers Continue to Face Rising Health Insurance Costs

The eight-month-old federal Patient Protection and Affordable Care Act, as federal healthcare reform is known, is doing little to control the cost of insurance, as employers large and small are struggling with double-digit premium rate increases. In fact, several provisions of the act could force premiums to rise even faster.

Premiums rose an average of 20 to 30 percent in New Jersey's Small Employer Health Coverage market this year. More broadly, the cost of health insurance premiums exceeded an average of \$5,000 for individual employees and \$13,000 for family coverage, according to the 2010 Kaiser/HRET Survey of Employer-Sponsored Health Benefits. These rates are double what employers paid just 10 years ago.

For many employers, that's too much to bear at a time when our economy is stalled. In past years, they have shopped around for less expensive coverage; made difficult choices about benefits, deductibles and co-pays; and, asked their employees to help through increased cost-sharing.

These rising costs combined with the recession are resulting in a sharp drop in the number of people covered in New Jersey's small employer market. In fact, there are more than 130,000 fewer people covered now than there were in January 2008, a trend that has been ongoing since 2006.

Unfortunately, the federal healthcare reform law offers little relief. Beginning in 2014, all employers with more than 50 employees will be required to offer insurance that meets new federal benefit levels or pay a \$2,000-per-employee tax penalty. Individuals will also be required to purchase health insurance or pay a penalty if they are not covered by any plan.

Other mandates are taking effect now. While they mostly apply to insurance companies, they may result in increased premiums for employers. Insurance plans must now allow benefits for dependents up to the age of 26 (even if married and without regard to financial dependency or residency). Insurance companies can no longer set a lifetime limit on "essential" benefits and must offer annual benefits of at least \$750,000. New regulations prohibit insurance companies from denying coverage to children under the age of 19, eliminate referrals for OB-

GYN visits, and mandate coverage of certain preventative services.

These mandates have the potential to drive up costs even faster, but the plans purchased by most small businesses in New Jersey will likely be exempt. Businesses with fewer than 50 employees usually purchase their health insurance from New Jersey's state-run Small Employer Health Coverage market. The health insurance plans sold in that market all comply with the new federal rules, so businesses that have purchased them will be "grandfathered."



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Many proponents of federal healthcare reform have touted the Small Business Health Care Tax Credit as a major benefit for small business. The maximum credit is worth 35 percent of the premium, but a business has to have 10 or fewer employees with average wages under \$25,000 a year to qualify. In a high-wage state like New Jersey, it's unlikely that many businesses will benefit from the tax credit.

Ultimately, the Patient Protection and Affordable Care Act is not going to put an end to the debate over healthcare reform that has been ongoing for decades. NJBIA has long argued that no healthcare reform initiative—whether it be a government-run healthcare system, an individual mandate or an employer mandate—will be effective if lawmakers do not find a way to control costs. So far, businesses continue to face health insurance costs that are rising at an alarming rate, and there is no help in sight. **NJB**