

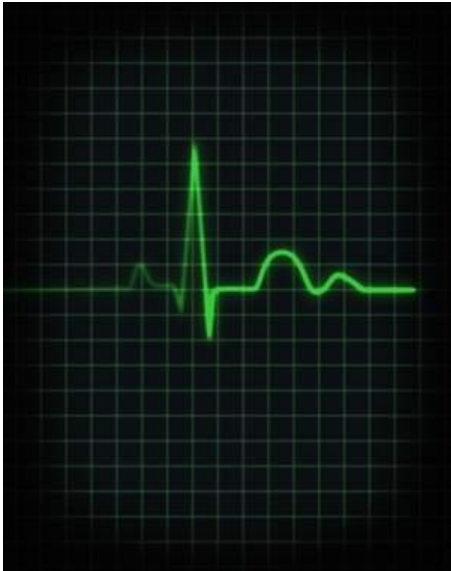
Health insurance offerings fall

Fewer small businesses in Iowa provide plans for employees, and premiums continue to increase, survey shows

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Written by
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Fewer small businesses are offering health insurance to their workers this year, though the benefit remains almost universally available to people who work for big companies, an annual survey shows.

The survey, done by Clive health care consultant David P. Lind, found that 77 percent of all Iowa employers are offering their workers health insurance this year. That's down from 81 percent in 2012.

The decline was almost entirely due to changes by small companies. Among companies with two to nine employees, the percentage offering health insurance dropped from 58 to 50. Among those with 10 to 19 workers, the rate dropped from 80 percent to 68 percent.

Lind's survey of 1,054 Iowa employers is a widely respected look at health insurance challenges and practices.

The latest findings come as the country prepares for the main parts of President Barack Obama's health reform law to take effect.

Employers with fewer than 50 workers are exempt from many of the law's rules, including requirements that bigger companies offer insurance starting in 2015. But Lind speculated that small-business owners have heard that Obamacare will cause them headaches.

"This is just too much of a distraction, and they're leery of having to learn about such a complex law," he said. "... I think some employers are deciding, 'You know what? I'm just going to give my employees a set amount of money and let them go out there and find whatever they can find' " on the individual insurance market.

Most Iowa employers continue to offer insurance and to pay most of the premiums, because they want to attract and retain good workers.

"That's certainly true of those employers who look at their employees as a competitive advantage, as opposed to just people fogging the mirror," Lind said.

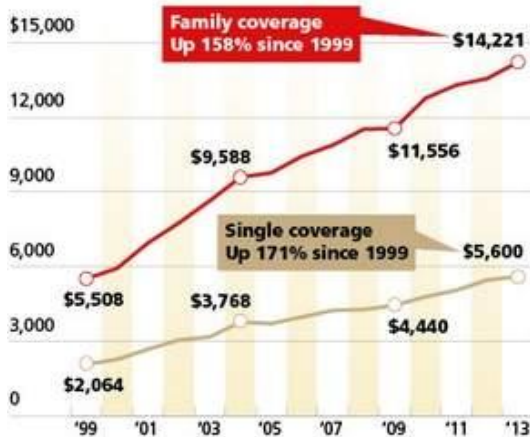
Cost rise is smaller than earlier years

The cost of health insurance continues to climb, though not as fast as a few years ago. Average annual premiums, including the shares paid by employers and workers, rose nearly 3 percent to \$5,600 for individual policies last year.

Iowa health insurance trends

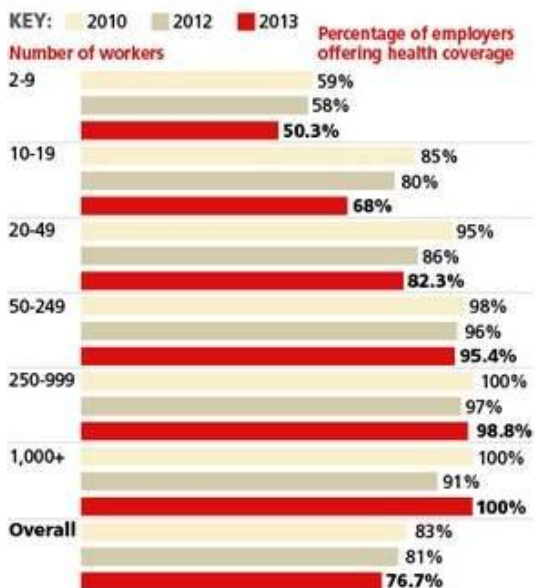
Rising premiums

Here are the total average annual insurance premiums paid by Iowa employers and their workers for single and family policies.



Which employers offer coverage

Small Iowa employers are becoming less likely to offer health coverage to their workers. Almost all big employers continue to offer it.



Source: David P. Lind Benchmark

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The average annual premiums for family policies rose nearly 5 percent, to \$14,221. Since Lind started doing the survey in 1999, premiums have jumped 171 percent for single policies and 158 percent for family policies.

Over the same period, workers' contributions to those premiums have gone up 117 percent for single policies and 121 percent for family policies, meaning that employers are picking up more of the premium than before. However, at the same time, many employees now receive plans with higher out-of-pocket costs, such as deductibles and co-payments.

Iowa premiums continue to be lower than national averages. Individual policies are about 5 percent cheaper here than nationally, and family policies are about 13 percent cheaper, Lind found by comparing his figures to national ones provided by the Kaiser Family Foundation.

Lind noted that small employers often face the steepest cost increases.

"That's been a constant story, year by year by year," he said.

Small employers tend to have less bargaining power than their larger counterparts, Lind said. They also have less ability to control health care costs with extensive wellness programs for employees.

His survey found that for 2013, companies with two to 19 workers were told that to keep their previous coverage, they would have to pay an average of more than 12 percent more in premiums than they did for 2012. That compared with increases averaging less than 4 percent for employers with 1,000 or more workers.

Companies often respond to large price quotes by buying less generous policies that don't cost quite as much.

Few small firms seeking tax credits

Some small employers could qualify for significant tax credits under the Affordable Care Act, paying up to 35 percent of health insurance premiums now and up to half next year. But experts say few have sought such help.

Jesse Patton, a West Des Moines insurance agent who studies health reform efforts, said the new small-business tax credits are difficult to apply for and provide diminishing benefits for companies with more than 10 workers.

"It's like a lot of things the government does," he said. "It sounds good from a podium, but in reality, it just doesn't work out."

Patton, who is president-elect of the Iowa Association of Health Underwriters, said some of his small-business clients have stopped offering health insurance to employees. Instead, they have switched to giving employees set amounts of money to use toward individual policies.

That trend should increase next year, when health reform will provide people more incentives to buy their own policies, Patton said.

Some people will qualify for public subsidies to buy individual insurance on new government exchanges.

Also, insurers will be banned from charging people more or denying them coverage if they have pre-existing health problems.

That should make it easier for many people to go out on their own instead of looking to their employers, he said. Unlike large employers, companies with fewer than 50 employees will not face penalties in 2015 for declining to offer coverage.

Patton and Lind expect most large employers to continue offering coverage next year. Some may consider dropping it in the future, even if they have to pay a fine for doing so, they said. But few are likely to make that call immediately, the two experts said.

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