Small businesses face difficult choices when it comes to health insurance

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For small businesses on Long Island, offering health insurance to employees is expensive, frustrating and time-consuming — and yet numerous small-business owners provide it, even though they are not required to do so by law.

For these businesses, the task of finding health insurance plans for their workers — who are sometimes akin to family for the owners — is worth the hassle because health benefits help retain and recruit employees.

“We know that our employees are the business,” said Bruce Carlow, 68, co-owner of Trio Hardware, a half-century-old hardware store in Plainview with 11 employees. “We want them to have as good a life quality as they could possibly have within the realms of what the business can afford.”

Small businesses can buy insurance through a business health exchange — an option mandated by the Affordable Care Act, commonly known as Obamacare — directly from an insurance company, or through a broker or agent. Often, small-business owners choose to use brokers because they offer additional needed support navigating the time-consuming process.

“The beauty of Long Island and New York is that for small employers, there are a number of options out there,” said Michael McGuire, CEO for UnitedHealthcare of New York and New Jersey.

But while there are options for obtaining health care coverage, interviews with four local small-business owners illustrate...
Health plan dilemma

Coliseum Caterers' co-owner Rich Comito at his Plainview store; Comito enlisted a broker to find an affordable health plan for his workers but none signed up.

Trio Hardware's Bruce Carlow, his wife Francesca, left, co-owner Ritsa Kirschner, rear left, and employee Marie Prodana. The company's insurance costs have been on the rise.

the obstacles and frustrations they face. In some cases, after all their work they find their employees still can't afford coverage.

Under the Affordable Care Act, employers with more than 100 full-time workers are required, starting this year, to offer health insurance or face penalties. Next year, insurance will also be required at businesses with more than 50 employees. Smaller owners face no requirement.

Nationally, among employers with fewer than 50 workers, 52 percent offer health benefits, according to the Kaiser Family Foundation. About 92 percent of businesses with more than 50 workers offer health benefits, compared with 94 percent of employers with more than 100 employees. New York numbers aren't available.

Higher costs
Small businesses face costs that until recently have risen at double-digit rates. In response, many have redesigned the plans to include greater premium sharing by employees, higher deductibles, larger co-payments, separate drug premium sharing by employers, and health savings account contributions.

Others have begun shifting employees to government-run individual and business health insurance marketplaces.

Trio Hardware's Carlow used to cover 100 percent of his employees' premiums in a traditional group health plan as a reward for their loyalty; workers accepted pay cuts after a 1996 fire gutted the store. But he said that as his insurance costs rose 20 percent annually, he started decreasing the company's contribution after 2009.

Then, in 2013, his coverage was dropped by insurer EmblemHealth, and he searched for replacement coverage with help from a longtime broker.

Carlow signed up with the Small Business Marketplace, run by the state Health Department. That marketplace, a type mandated by the health care law, is open to employers with up to 50 full-time employees. In some cases, small businesses with fewer than 25 full-time employees making an average of less than $50,000 a year that purchase coverage through the exchange, and pay at least 50 percent of the premiums, may qualify for tax credits.

Through the Small Business Marketplace, Carlow set his contribution toward his two full-time workers' premiums at less than 50 percent. (His other employees, he said, get insurance through family members.)

The marketplace allows employers to enroll anytime throughout the year. Employees can select health plans offered by nine private health insurers and nine dental carriers, organized in four tiers — bronze, silver, gold and platinum. Bronze plans have the lowest premiums and highest out-of-pocket costs; platinum plans are the reverse.

"We found one that gave almost the same benefits [as his former plan], at a little better price, and we subsidized that," Carlow said.

Employees do footwork
For Trio Hardware employee Marie Prodana, 61, of Massapequa, having the platinum plan through the exchange was a must as she deals with kidney disease. This year, her second in the exchange, Prodana opted for a Health Republic's high premium plan with a low deductible.

"When we had a group insurance policy, I didn't have to worry about anything," said Prodana, who has worked at the store for 27 years. "Now every year, I have to do my homework."

The marketplace falls under a provision of the health care law called the Small Business Health Options Program, or SHOP. Since the law passed, premiums for small businesses nationally have grown at less than 5 percent annually and slowed further to just 1.7 percent in 2014, compared with 7.3 percent previously per year, said Kellie LeDet, regional administrator for the U.S. Small Business Administration's Region II, encompassing New York.

But experts say the exchange hasn't caught on with small businesses on Long Island yet.

"What I find is that since small businesses were not mandated to provide health insurance, they just didn't pay attention to SHOP," said Sharon Davis, CEO of Freeport-based S.J. Edwards, Inc. which offers employee benefit counseling. "They should be comparing to see if they are eligible for the tax credit because, if they are eligible, it may result in more savings for them."

Even at the exchanges, however, costs are often a huge burden to employees.

Ben Jackson, co-owner of Freeport-based Ben's Contracting, skipped a broker, and went through the trouble of setting up health insurance
through the exchange himself, with some help from a nonprofit. He offered the insurance to his 20 full-time employees. To keep it affordable, his company wouldn’t contribute toward employees’ premiums.

None of them, however, signed up, he said. Instead, some obtained coverage through Medicaid, or through their spouses at 20 percent less than he offered. Others didn’t buy any, Jackson said. “All I can afford to do is set it up so it’s there,” Jackson, 53, said. “When you keep people happy, things run smoother, but it’s way too much money.”

No. 2 cost for employers

For Hauppauge-based advertising firm Austin & Williams, health insurance is the No. 2 cost behind payroll, costing the firm a quarter of a million dollars, founder Ken Greenberg said. Of the 23-year-old company’s 40 employees, 20 are currently covered by a group health plan offered by Aetna. This year, the firm’s premium increased nearly 9 percent.

Greenberg said the firm’s premiums have previously risen by as much as 42 percent a year. To compensate, the company reduced coverage of employees and their families’ premiums from 100 percent several years ago, to 75 percent more recently, and has now cut it to 65 percent, he said.

Greenberg blames the rising cost on the state’s requirement that all insurance plans for companies with two to 50 employees be “community rated.” Community rating, a structure overseen by the state’s Department of Financial Services, seeks to spread the cost and risk of insurance for small businesses across the entire pool of more than a million employees in such plans in the state. Premiums are based on the health risks of that pool, without factoring in age, sex and other demographic factors.

“This was Obamacare before Obamacare,” Greenberg said, referring to the mandatory aspect of the law. He thinks the company’s rates would be lower if it were able to form a consortium of small businesses and together have more than 50 employees on the same policy, but the law currently doesn’t allow that.

“The reality is that you have no choice in New York. You have to be in a community-rated plan,” Greenberg said. “I think it is discriminatory that if I am a smaller employer, I am paying a higher rate than a bigger employer who is not required to be in the community-rated plan.”

Sometimes, all the work small-business owners put into health insurance shopping feels like it comes to naught.

No one signs up

Plainview-based Coliseum Caterers’ co-owner Rich Comito enlisted the help of a broker in coming up with a health insurance plan. And yet, none of his more than 50 full-time and part-time employees signed up for the health insurance coverage from Health Republic, which cost workers nearly $380 a month without any contribution from the company. In comparison, his full-time workers typically earn $400 a week.

“For 15 years, we had people on [traditional group] health insurance,” said Comito, 62, who has been in business for 25 years and runs five locations on Long Island. “Now, we have nobody because now my insurance went up.”

Comito put in all that work, he said, because in the past he’s lost about a dozen workers who turned to corporate companies with better, cheaper benefits, such as Starbucks.

“Nobody wants good employees more than the owner,” Comito said. “Back in the day, we were great to them. But we’re getting squeezed from everywhere.”