



NEWS RELEASE

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SMALL EMPLOYERS PAY MORE, GET LESS FOR THEIR HEALTH INSURANCE DOLLAR Small Businesses Hit With Larger Annual Premium Hikes and Employees With Greater Cost-Sharing Burdens

New York City, April 28, 2004—Small businesses that provide health insurance for their employees consistently get less for their money, suffering faster premium increases and steeper jumps in deductibles over time than large firms, finds a new report from The Commonwealth Fund. Employees in small firms also pay more of their premium costs and have higher deductibles. They also pay more for family coverage—but less for single coverage—than employees in large firms.

In *Risky Business: When Mom and Pop Buy Health Insurance for Their Employees*, Jon Gabel and Jeremy Pickreign of the Health Research and Educational Trust (HRET) conclude that small employers do not have the advantages of larger firms in providing benefits to workers. Their findings, based on an analysis of 14 years of benefits and premium trends for small and large firms, point to the need for reform of the health insurance market for small business, including new options for helping small firms gain access to the advantages large businesses have in buying health benefits.

Benefits and Premiums for Average Worker by Firm Size, 2003

Small Firms Large Firms
(3-199 Workers) (200+ Workers)

Premium Change, 2002 to 2003	15.5%	13.2%
Single Premium Contribution	\$37	\$45
Family Premium Contribution	\$248	\$179
PPO Deductible— In Network	\$419	\$209
PPO Deductible— Out of Network	\$783	\$458

Source: J. Gabel and J. Pickreign, *Risky Business: When Mom and Pop Buy Health Insurance for Their Employees* (New York: The Commonwealth Fund, April 2004). Authors' analysis of Kaiser/HRET 2003 Survey of Employer-Sponsored Health Benefits.

"If we want to reverse the trend of growing numbers of uninsured Americans, we should be making it easier, not more difficult for small businesses to provide health coverage for their

employees, who make up the largest proportion of uninsured individuals.” said Commonwealth Fund President Karen Davis. “Policy options such as allowing small businesses to buy into federal or state employee benefit programs, and premium assistance to help low-income workers afford coverage, would be a good start.”

Small firms, identified as those employing 3-199 workers, experienced greater annual premium increases than large firms between 1989 and 2003, the study found. Small firms saw their premiums increase by 15.5% from 2002 to 2003, compared with 13.2% for firms with more than 200 workers.

Small firms have been particularly hard hit by large increases in deductibles in recent years. From 2000 to 2003, deductibles among small firms doubled in PPO plans when employees use in-network providers and jumped 131% when they use out-of-network providers; among large firms the increases in deductibles in PPO plans were 33% percent and 44% respectively.

“Burdened with inherently higher administrative costs, having fewer lives over which to spread the risk of catastrophic costs, and lacking the purchasing power of large firms to negotiate with insurers, small employers are doomed under current practices to separate but unequal status,” said Gabel, vice president at HRET. “It’s a risky business to go it alone when it comes to health insurance.”

**The Commonwealth Fund is a private foundation supporting independent research on health and social issues.
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