

STATE STRATEGIES FOR COVERING SMALL EMPLOYERS

In an effort to expand access to coverage for small employers at an affordable rate, states have employed a variety of strategies to address making health insurance more affordable and more accessible to the small employer market. Some of the strategies that states have focused on include:

- Using reimbursement from a state-funded source – typically a reinsurance program
- Developing plans that exclude or limit coverage of certain mandated benefits
- Developing group purchasing arrangements

STATE-FUNDED REIMBURSEMENT OR REINSURANCE

Some states have used reinsurance or other state-funded reimbursement-type approaches to maintain or increase health coverage for small employers. These approaches allow some of the expenses for high-cost enrollees to be shifted to a third party, that could be a reinsurance carrier, a reinsurance pool or the state.

States taking this approach include Texas, Connecticut, New Mexico and New York.

Impact

Reinsurance can promote a competitive market by smoothing price volatility in existing markets by spreading risk and keeping carriers in the small employer market. In addition, this approach has reduced premiums.

LIMITED-BENEFIT PLANS

In an attempt to make coverage more affordable and accessible to the small employer market, a number of states have enacted legislation that allows carriers to offer small employers plans with either no state-mandated benefits or limited state-mandated benefits.

States taking this approach include Texas, Kentucky, Maryland and Washington.

Impact

According to information published by the State Coverage Initiatives, limited-benefit plans reduce premium costs but do so only marginally. Costs are reduced on average between 5 and 9 percent and the dollars saved may be offset since individuals holding limited-benefit policies often access uncompensated care services through the safety net. Currently, limited-benefit products have not sold well since many insurers are reluctant to sell these types of policies and consumers aren't interested in purchasing them.

GROUP PURCHASING ARRANGEMENTS

Group purchasing arrangements (GPAs) such as a health purchasing cooperative or health coalition assist small employers to realize savings as a larger group by allowing employers to join together to purchase more affordable health insurance. Several different types of purchasing cooperatives and coalitions exist with variations in membership requirements. GPAs may take the shape of association health plans (AHP), employer alliances or health insurance purchasing coalitions (HIPC).

States taking this approach include Texas, Arkansas, Kansas and New Mexico.

Impact

Existing GPAs have expanded consumer choice, but little evidence shows that the current models have significantly reduced the number of uninsured. Contrary to what has been predicted, evidence suggests prices are comparable inside and outside the purchasing groups.