

A CLOSER LOOK

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A *Closer Look* takes topics from previous and current issues of *Bridges* and examines them from a local perspective.

...AT THE LITTLE ROCK REGION

Arkansas Insurance Programs Help Employers Reduce Costs

Entrepreneurs have a lot on their minds: payroll, competition and inventory, for instance. But their No. 1 concern is the cost and availability of health insurance. That's according to a National Federation of Independent Business membership survey and the Kauffman-RAND Institute for Entrepreneurship Public Policy.

And while many small business owners struggle with the high cost of health insurance, the issue is even more critical for entrepreneurs who are working hard to start their business, build a stable employee base and earn a place in the market.

Further, the cost of health insurance is often a barrier to entrepreneurial development.

Two aspects of insurance that drive small business concerns are premium increases and administrative costs. The U.S. Small Business Administration confirms that: (1) insurers of small health plans have higher administrative expenses than those that insure larger group plans, and (2) employees at small firms are less likely to have coverage than employees of larger entities.

Small businesses account for a large part of our country's employment opportunities.



Vanessa Crossfield, co-owner of Kelcro Inc. in central Arkansas, and Richard Eden, director of the Chamber Alliance Program, discuss the benefits her company has seen since it joined the health insurance network.

Research from the Small Business Administration indicates small businesses represent 99.7 percent of all employers and have generated 60 percent to 80 percent of net new jobs annually over the last decade.

With small businesses and entrepreneurs contributing to such a large portion of employment growth, resources that help sustain those jobs and add to employee well-being can be important to the overall economy.

In Arkansas, two programs striving to meet the health insurance needs of entrepreneurs and small business owners are the Chamber Alliance Program and ARHealthNet.

Chamber Alliance Program

A few years ago, Vanessa Crossfield, co-owner of Kelcro Inc., was facing a tough choice. She was trying to decide if she should drop health insurance coverage for the 60 employees of her central Arkansas company. Fewer than half of the employees were covered by the plan. Those that were covered faced high out-of-pocket costs, which often prohibited them from actually obtaining health care services.

But through the Arkansas Chamber Alliance Program (CAP), Kelcro was able to offer insurance at a cost savings to the company and extend coverage to more of its employees.

The insurance program, designed exclusively for small businesses, was created in 2004 by the North Little Rock Chamber of Commerce, which administers the program for 48 participating chambers of commerce across the state. Health insurance purchasing groups like CAP were legalized by the Arkansas General Assembly in 2001.

Participating chambers offer the program to their members through the insurer, QualChoice, based in Little Rock. Nonchamber member organizations and companies can receive insurance quotes, but must join a participating chamber of commerce in their area to enroll in the program. The plan offers employers and employees more choices, such as an option to buy down deductibles or pair some of the packages with health savings accounts. (See related story.)

Because the chambers are able to pool their resources and the resources of their members, they achieve cost savings based on the scale they bring together as a group. "CAP employers are covering more employees for less money than they were in their former insurance plans," says Richard Eden, director of CAP.

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HSAs Take Edge Off High-Deductible Insurance Plans

Enrollment in consumer-directed health plans is growing, fueled in part by the rising cost of health care coverage. The plans share the burden of health insurance costs between the employer and the employee. Health savings accounts (HSAs) are one form of these personal savings accounts.

HSAs were created by the Medicare bill signed into law on Dec. 8, 2003, and are designed to help individuals save for future qualified medical and retiree health expenses on a tax-free basis.

All adults can contribute to an HSA if they:

- have coverage under an HSA-qualified high-deductible health plan;
- have no other medical coverage;
- are not enrolled in Medicare; and
- cannot be claimed as a dependent on someone else's tax return.

Contributions to an HSA can be made by an individual, an employer or both. Total contributions are limited annually and can be deducted when filing federal income taxes.

Banks and other financial institutions often act as administrators of

HSAs, offering them in their suite of personal banking products for customers. Both the U.S. Treasury Department and the U.S. Government Accountability Office project that the number of HSAs will grow to 14 million by 2010.

Proponents view HSAs as a favorable tool for small businesses and entrepreneurs as they may allow more business owners to offer some benefits or to provide savings for existing benefits. They see the accounts as presenting more choices for employees looking to control their health care, as well as offering cost savings to employers.

Opponents say HSAs may increase the employees' burden of paying for health care. However,

because savings in HSAs can be rolled over from year to year, they provide a long-term financial savings benefit to consumers. And employers can donate to an employee's HSA, thus sharing the cost of high-deductible plans.

The Kauffman-RAND Institute for Entrepreneurship Public Policy is conducting research to examine the benefit HSAs can have for small businesses, in particular if such accounts are indeed increasing access to health coverage in small businesses. For more information on this report, visit www.rand.org.

For detailed information about HSAs, visit www.treasury.gov/offices/public-affairs/hsa/ or www.irs.gov/publications/p969/ar02.html.

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There are 137 companies participating in the program, offering coverage to more than 1,300 people statewide. Of those, more than 22 percent had no insurance prior to CAP. The program also has made great strides reaching the self-employed, with more than two dozen firms having no employees other than the owners participating as "Groups of One."

CAP has been nationally recognized by the Health-care Leadership Council as a model for programs covering the uninsured through the private sector.

Between September 2006 and September 2007, membership in the program grew rapidly, with a 49 percent increase in the number of people covered. Eden attributes this dramatic increase to the participating chambers and the information they are able to distribute to their members.

For more information about the CAP benefits package for small businesses, contact

Eden at 501-372-5959 or reden@nlrchamber.org.

ARHealthNet

ARHealthNet is an insurance program designed to help qualified small businesses provide health care benefits to their employees.

There are several things that make ARHealthNet unique: The program focuses on low-income workers. There is an emphasis on reaching the uninsured by targeting employers who have not recently offered a group health plan. And then there is the partnership between state and federal government and employees and families that makes the whole program possible.

In 2006, the Arkansas Health Insurance Expansion Initiative Roundtable, the Arkansas Center for Health Improvement and the Arkansas Department of Health and Human Services collaborated on a plan to increase insurance coverage for the uninsured by providing resources to small business owners. Using

both quantitative and qualitative analysis, this partnership looked at ways to leverage state and federal dollars to maximize the benefit for low-income workers. ARHealthNet is the result of that partnership.

The program offers savings to employers by basing the cost in part on an employee's income.

Premiums for employees earning at or below 200 percent of the federal poverty level are subsidized using tobacco settlement funds and existing Medicaid dollars. At least one employee must qualify for these subsidized premiums. Additionally, to qualify, the business must not have offered a group health plan in the past 12 months.

If a business chooses to participate, all employees are

eligible for coverage and must participate unless they provide evidence of other group or individual health insurance. ARHealthNet is offered through licensed insurance agents in Arkansas.

The Arkansas Center for Health Improvement estimates that more than 378,000 Arkansans between the ages of 19 and 64 do not have health insurance. ARHealthNet is one attempt to improve these numbers by offering coverage to businesses that employ low-wage workers who often cannot find affordable health care.

To learn more about ARHealthNet or to search for an insurance broker in your area, visit www.arhealthnet.com or call 1-800-540-7566.



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