



The Commonwealth of Massachusetts

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To: Attendees of Small Business Roundtable Discussions

From: State Representative Jason Lewis

Date: August 18, 2009

Thank you for attending one of our recent small business roundtable discussions. We held two roundtables for members of the local Stoneham business community – on July 23 at Stoneham Savings Bank and on August 6 at Gaetano's Ristorante. The purpose of these roundtables was to provide a forum to ask questions about state and local policy impacting small businesses, discuss the concerns facing our small businesses, and hear your ideas for promoting business development in Stoneham. I would also like to thank Sharon Iovanni for her support and assistance in organizing these roundtables.

We discussed a range of topics, including the economy, healthcare costs, ways to provide local and state government services more efficiently, parking concerns, and ideas for assisting local businesses.

Not surprisingly, given the current national debate regarding healthcare reform, we discussed how ever rising healthcare costs are a huge burden on small businesses. As a follow-up to our discussion, I wanted to bring to your attention a recent Boston Globe article (included with this memo) that describes efforts underway at the state level to help small businesses purchase health insurance for their employees through purchasing groups in order to lower health insurance premiums. Along with comprehensive payment reform proposals now being debated in Massachusetts, I'm hopeful that we will manage to rein in spiraling healthcare costs, and make healthcare more affordable for families and small businesses.

A number of participants at the roundtables asked if there are any state programs available to assist small businesses with start-up costs, marketing, business development, etc. We are researching what programs, if any, might be available to help small businesses, and will pass along any helpful information we uncover.

Again, thank you for your participation in these roundtable discussions. I greatly appreciate having the opportunity to hear your feedback and ideas. I also welcome your input anytime. You can reach me at 617 722-2060 or Jason.Lewis@state.ma.us.

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Insurance options for small firms studied

The Boston Globe

Patrick might back legalization of group purchases to cut costs

By Kay Lazar, Globe Staff | August 7, 2009

Amid growing complaints from small businesses about soaring health insurance costs, the Patrick administration is eyeing a much-debated proposal that would allow companies to band together, bargain for cheaper rates, and pass the savings on to employees.

The proposal tops the list of potential solutions under review by three of Governor Deval Patrick's chief advisers, who have been instructed by Patrick to come up with recommendations by Labor Day, Gregory Bialecki, secretary of Housing and Economic Development, said yesterday.

"We have heard it from too many folks for too long," Bialecki said. "This is a real problem."

The issue comes at a sensitive time, as small-business owners across the country worry about the potential effect of a national insurance overhaul on their companies and look toward Massachusetts for guidance. The state's groundbreaking 2006 law extended health insurance to nearly every resident. It also required businesses that employ more than the equivalent of 11 full-time workers to offer coverage or pay a penalty.

After the law took effect, coverage costs declined an average of 15 percent for some individuals, but rates for small businesses rose by about 1.5 percent, according to state data.

Bialecki said his panel - which includes Leslie A. Kirwan, secretary of administration and finance, and Dr. JudyAnn Bigby, health and human services secretary - is leaning toward a recommendation to change state law and allow small businesses to band together. But he is concerned it might save money for small businesses, while some groups end up paying more.

"If we were to do something to put small business in a better place, that means the cost might shift to other people who are not in a better place to tolerate this," Bialecki said. "There is not any group that will volunteer to pay more for healthcare."

Roughly 87 percent of Massachusetts businesses have fewer than 20 workers, state figures show. That translates to about 724,000 workers.

A 1996 state law prohibits small businesses from negotiating as a group. Previously, small businesses were allowed to buy in bulk from certain trade associations, which had special privileges that allowed them to conduct medical screenings and deny or limit coverage to those seen as having a higher risk for illness.

That angered small businesses that didn't join trade associations and could not take advantage of such exemptions from state insurance law. They typically ended up with higher costs.

Now, some lawmakers are proposing that small businesses again be given the right to bargain as a group for lower rates. The difference this time, they say, is that the new consortiums would not be allowed to screen out participants, and would have to play by the same state insurance rules as everyone else.

"We may be the only state, or one of the only states, that has such a law that prohibits them from gathering together," Bialecki said.

He said the panel is still studying whether the administration should back a measure from state Representative Steven M. Walsh, a Lynn Democrat, or introduce a proposal of its own. Walsh's proposal would allow businesses with 50 or fewer employees to form a nonprofit consortium, similar to the state's Group Insurance Commission, a quasi-state agency that buys and administers health insurance for state and local employees.

Beleaguered business owners said they are encouraged by signs the Patrick administration is taking the issue seriously.

"Health insurance costs are close to our largest costs, after salaries," said Andy Murphy, a principal at Davies Murphy Group, a Burlington marketing company that was hit with a 26 percent rate increase this week for its 46 employees.

"I am in favor of anything they do to introduce competition or regulate insurers," Murphy said. "Anything that controls costs."

But the trade association that represents most of the state's insurers opposes allowing small businesses to band together.

"This, in a way, is rearranging the deck chairs on the Titanic," said Dr. Marylou Buyse, president of the Massachusetts Association of Health Plans. "It's not dealing with the issues that are driving up costs. As long as doctors and hospitals keep raising their prices and people use more and more services, healthcare costs are going to go up."

The trade association is backing different measures that, sponsors say, would reduce the cost of premiums for small businesses by as much as 22 percent.

Sponsored by Senator Richard Moore, an Uxbridge Democrat and chairman of the Joint Committee on Health Care Financing, the bill would allow business owners with fewer than 50 workers to lower their upfront costs by shifting the burden, charging employees higher out-of-pocket prices. It would also hold down employers' costs by capping payments to hospitals and doctors at 10 percent above what Medicare pays - a proposal that has infuriated doctors and hospital groups.

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