

## Small-business health co-op will slash rates

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Thousands of small businesses will be offered discounts of at least 20 percent on health insurance rates under a new group purchasing cooperative, formed by the Retailers Association of Massachusetts, that will begin enrolling members this week.

The co-op is the first permitted to do business under a 2010 Massachusetts law that allows small employers to band together in large groups and negotiate for better-priced health coverage. On Friday, the state Division of Insurance authorized it to offer about 4,000 small businesses a half-dozen health plans that are far less expensive than what the businesses had been paying on their own.

“We’re trying to change the marketplace,” said Jon B. Hurst, president of the retailers association. “We’ve fought for a long time to make sure small businesses have the same opportunities as big businesses.”

The savings will come from a partnership the retailers’ co-op has struck with Steward Health Care System, a medical provider, and Fallon Community Health Plan, an insurer, that could further shake up the state’s fast-churning health care business.

The alliance lets businesses buy so-called limited network policies, channeling employees to Steward hospitals and doctors for most of their care. Employers will be able to pay even less by purchasing higher-deductible plans that pass on more costs to their workers.

With a \$2,000 deductible, for example, the family rate for a co-op member in the Merrimack Valley would be \$928 a month using the Steward limited network, compared with \$1,160 for a plan with comparable benefits that could be purchased last month.

The plans have a range of deductibles that employees have to pay upfront, with the largest savings going to businesses that buy the high-deductible plans. For example, individuals might pay \$2,000 and families \$4,000 before their insurance kicks in under one of the highest-deductible plans, compared with \$500 for individuals and \$1,000 for families in a low-deductible plan.

In addition to about 3,500 members from the retailers association, ranging from restaurants to hardware stores to dry cleaners, the co-op also can cover about 500 members of the Massachusetts Package Stores Association.

Enrollment will get underway this week for the year starting April 1, the largest renewal period for the small-business market. Merchants that are not part of these trade groups would have to join to get co-op rates.

The co-op’s alliance with Steward and Fallon, if successful, would drive more patients to the 10 community hospitals in Eastern Massachusetts run by Boston-based Steward, which already operates

another limited network for small employers in collaboration with Tufts Health Plan. In such plans, members are restricted to Steward's hospitals and its 2,200 affiliated doctors, but pay significantly less than those enrolled in broader-network plans.

"All of our hospitals are either at the state median or below it in terms of reimbursement levels," said Steward spokesman Chris Murphy. "When you use these community care products, employers and employees experience the savings."

Steward, which operates St. Elizabeth's Medical Center and Carney Hospital in Boston, along with eight other community hospitals from Methuen to Fall River, will be referring patients in its network who need more complex care to Brigham and Women's and Massachusetts General hospitals, as well as to MassGeneral Hospital for Children.

The state's insurance commissioner, Joseph G. Murphy, said his office is reviewing applications from other potential co-ops and has certified a second one, the Massachusetts Association of Chamber of Commerce Executives.

The 2010 law restricts total enrollment in all co-ops to 85,000. Extending the lower-cost insurance to all small businesses, which together employ about 500,000 people, would require legislative action.

Employees of companies buying insurance from the co-ops are expected to pay less than they do now. But their savings would probably be smaller than their employers' savings, depending on the plan they choose - or that their employers choose for them.

Fallon said it will offer its own insurance plans to members of the retailers co-op, in addition to administering Steward's limited-network plans. The insurer, based in Worcester, will be selling its plans statewide, even outside Steward's Eastern Massachusetts coverage area.

The alliance could help establish Fallon as a more formidable player in the state. Fallon, which does about 60 percent of its business in Central Massachusetts, will now compete more aggressively in the eastern part of the state against larger rivals such as Tufts, Harvard Pilgrim Health Care, and Blue Cross Blue Shield of Massachusetts.

"For years, they've been competing out here," said W. Patrick Hughes, chief executive of Fallon. "This brings us into Eastern Massachusetts in a strong alliance with Steward and the retailers association. Our objective is to make this sustainable."

The move also will be cited as fresh evidence by the Patrick administration that its two-year campaign to rein in health care costs is having an impact.

"I hope this is a portent of things to come," said Barbara Anthony, undersecretary of consumer affairs and business regulation. "We all know that a few years ago there were no incentives in the marketplace for products like this to be developed."

Premium increases are at 10-year lows for small businesses and individuals, as are payment increases negotiated between insurers and health care providers. Anthony acknowledged, however, that while

state officials have prodded the industry to contain premiums and the price of health care services, some of the progress is due to the weak economy, which has caused many people to delay elective procedures because they have lost health insurance or are afraid of taking time off from their jobs.

The insurance commissioner said his staff would monitor the new co-ops, but he predicted it would take more than a year for the number of people they cover to reach 85,000, the maximum in the law. That number represents 10 percent of the so-called small group market made up of small businesses and individuals.