

Big savings for small business in new, innovative health plans

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FOR YEARS now, small businesses have complained about the big annual premium increases they faced for health insurance. Two years ago, state policymakers agreed to let small companies form purchasing cooperatives to bargain for better rates. Now that experiment is paying off. New health plans announced last week will allow members of the first such cooperative to save at least 20 percent, and in some instances double that, on premiums. Those small businesses have every reason to be pleased, but they should share some of the new savings with their employees.

The new, less costly health plans are the result of a partnership between Steward Health Care System, the for-profit provider network run by Ralph de la Torre; Fallon Community Health Plan, the state's fourth-largest insurer; and the Retailers Association of Massachusetts, which was instrumental in winning passage of the group-purchasing cooperatives.

Fallon will offer three plans in which members will receive their care at Steward's network of lower-cost community hospitals; patients requiring more complex care will be referred to Mass. General, Brigham and Women's, and MassGeneral Hospital for Children. Three other Fallon plans, including a preferred-provider organization, will also be available through the cooperative. Members can choose to offer any or all of the six plans.

The highlighted savings come in the plans where Steward will provide the care at its lower-cost community hospitals. Jon Hurst, president of the retailers' group, says the cost of a Steward limited-network plan with no deductible will be at least 20 percent lower than comparable coverage. Under the highest-deductible offering, those savings could grow to as much as 42 percent. That plan has a \$2,000 deductible for individuals and \$4,000 for a family, the maximum allowed under state standards.

Although that's a high threshold, Hurst thinks such a plan will be a good fit for younger workers who rarely see the doctor, particularly since yearly physicals are fully covered with no co-pays. Further, Fallon will administer pre-tax accounts to help employees and employers meet the deductible. The retailers association already uses those; there, employees save pre-tax dollars to fund Flexible Spending Accounts they use to pay the first \$1,000 of the deductible; the association funds the next \$3,000 from its Health Reimbursement Arrangement plan. Paying \$3,000 toward the deductible in those years when a particular employee needs care is cheaper than paying higher premiums every year.

So will small businesses follow that example? "We can't make them, but we will certainly urge them to do it," Hurst says. Companies that want to be known as appealing places to work should.

This partnership has the potential to make Worcester-based Fallon, which pioneered limited networks in Central Massachusetts, a bigger, more important presence in the eastern part of the state. Meanwhile, this marks the second eye-catching experiment in cost-conscious care involving Steward in the past six months, the first being a limited-network plan offered in conjunction with Tufts Health Plan.

“For health care reform to progress to our ultimate goals, we must be innovative, and Steward will continue to innovate,” declares de la Torre. As this new arrangement shows, de la Torre is doing just that. He and Steward are quickly proving their worth in the health care arena.