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Cost crunch

Many small businesses drop health benefits

Jacksonville Business Journal - by [Dolly Penland](#) Correspondent

As the cost of health coverage continues to rise, outpacing both the rate of inflation and wage growth, more small businesses are dropping health benefits, according to the 2005 Annual Employer Health Benefits Survey, released in September by the **Kaiser Family Foundation and Health Research and Educational Trust**.

From spring 2004 to spring 2005, premiums increased an average of 9.2 percent. During that same period, workers' earnings grew by just 2.7 percent, while inflation rose 3.5 percent.

The survey found that 60 percent of businesses offered coverage to workers, down from 69 percent in 2000. Almost all the companies dropping health benefits were small businesses; the survey found 98 percent of companies with more than 200 workers offered health insurance.

The number of uninsured patients seeking care at hospitals such as **Shands Jacksonville** has also risen over the last five years.

"I wouldn't characterize it as a dramatic increase, but more of a slow but steady increase over the last couple of years," said Bill Ryan, vice president and chief financial officer at Shands. "Uncompensated care was \$121 million for the fiscal year ending June 30, 2004, which rose to \$136 million in the fiscal year which just ended June 30, 2005. That's about a 12 percent increase."

Shands works with the uninsured to determine if they are eligible for coverage such as Medicaid or to set up a billing arrangement for repayment over time. The hospital also writes off some of the costs.

"We receive just under \$24 million a year from the city to help us provide care to the indigent population," said Ryan. "These people must be a resident of Duval County and must meet income guidelines based on the federal government poverty guidelines to qualify. The cost of providing that care to that population does exceed the amount we receive. But it is a tremendous help to the organization."

For 2005, the **U.S. Department of Health and Human Services** set the poverty level for a family of four at \$19,350 and \$16,090 for a family of three.

Average annual premiums for family coverage rose to \$10,880 in 2005 with the average worker paying \$2,713 of that, according to the survey. A full-time minimum-wage worker grosses \$10,712.

Since 2000, average premiums have gone up 73 percent. Many companies are shifting more of the cost to their employees by asking them to pay a larger share of monthly premiums or dependents' coverage, increasing deductibles or co-pays or simply cutting back on benefits.

"It's not just in Jacksonville; it's all over the country," said Ryan. "As health insurance costs increase, more and more companies are increasing the employee share of that cost. And in some instances, employees are deciding to go bare. They can't afford their share of the premiums."

Businesses that do not offer health benefits to their workers, again primarily small businesses, cite cost as a key factor. In fact, 73 percent said high premiums were very important to their decision.

Carlton Shelton, financial adviser and owner of **Paragon Financial**, said those who opt for higher annual deductibles to keep premiums down might consider the new health savings accounts. Depending on the plan, the company, the employee or both put money in a tax-free account each month to cover the employee's deductible if the insurance is used.

"They're really nothing more than tax-free accounts tied to insurance," Shelton said. "After the deductible is reached, the policy holder gets the coverage from there. HSAs can be used to ease the cost of meeting the new higher deductible."

However, HSAs are not yet widespread; the Kaiser survey showed only 1.2 percent (810,000 people) are enrolled in plans that are eligible for use with an HSA.

Bob McKenzie, president of **McKenzieHR**, said from a human resources point of view, businesses who want to maintain a strong workplace with the highest quality employees must offer competitive benefits. "If you don't offer insurance, you're not competitive. With low unemployment, people can move quickly to another job. If you don't offer it, you'll have a difficult time attracting people."

That's exactly why Mark Cuyler, owner of Cuyler's Landscape Lawn Service, decided to start offering health insurance three months ago to his eight employees. He plans to hire another eight workers in the next six months as he expands his company.

"I thought that would give me an edge on hiring people, secure me in having some good employees, and lessen my turnover," said Cuyler, who pays 80 percent of the cost of coverage. "If I have to train new employees every two or three weeks, I lose

money there. I pay about \$160 per employee a month. I feel I'm saving money and helping the employees, which is the most important thing."