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Dirigo Health: A Small Business Perspective

By Deborah Cook

Maine's small business owners and employees are waiting anxiously for the introduction of the Dirigo Health product. They have heard a lot about it both from those who are supportive of the reform effort and from those who are not. Now they look forward to seeing the details. Anxious to find affordable insurance coverage for themselves and their employees, Maine business owners are hopeful that Dirigo Health will be the package that provides reasonable coverage and an affordable and stable premium they can count on. If, at the same time, they can help Dirigo Health achieve the larger goal of reducing costs, increasing access and ensuring quality care, all the better.

The Maine Small Business Alliance is a membership organization of owners of small businesses from across Maine who are interested in public policies that are good for their business, good for their employees and good for their communities. Our members believe that offering insurance to employees extends beyond the fact that it is a good business decision and increases their competitiveness to attract and retain the highest quality employees. They believe that it is simply the right and ethical choice to provide workers with health security and the ability to continue to provide financially for themselves and their families.

To understand the impact that Dirigo Health reform will have, it is helpful to

first understand the impact and value of the small business economy in Maine. Maine is a state of small business. Of 43,000 registered business firms here, more than 95% have fewer than 50 employees. An additional 58,000 of Mainers are self-employed in non-incorporated business. Of Maine's total employment force of 624,000, about half are self-employed or employed in a small business. These small businesses, with fewer than 50 employees, are the first target market for the emerging Dirigo Health product and will be, with their families, among the first to benefit directly from this reform effort.

Of the roughly 140,000 uninsured Mainers, 73% work in small businesses or are self-employed. While the escalating cost of health insurance is a state and national problem, it has reached a crisis level for small businesses. Smaller companies pay on average 35% more than large employers for the exact same health coverage and most have neither the time nor the staff resources to navigate through an increasingly complex health care system.

If we want to insure more people, we must make health care affordable for small employers and accessible to their employees. Small businesses are more severely affected than are large employers when their employees or employees' families are sick. For the small business, the cost of lost time due to illness or accident is not only a productivity issue, but can also be an issue of the business' survivability. In a small business, with no ready replacement for an absent employee or owner, time lost is often lost for good. Billable hours are gone. Projects cannot be completed on time. Good health, quality health care and the ability to recover from illness and accident are essential to small

businesses, their owners, their employees, their families and the customers and communities they serve.

In 2000, the Maine Center for Economic Policy surveyed Maine's small businesses about health insurance. Forty-three percent of the businesses said that they would drop coverage if premiums rose 11-20%. Another 21% planned to drop coverage if premiums increased as little as 10%. Since 2000, insurance rates for Maine's small businesses have soared 49%.

What are Maine's small businesses doing? Some are dropping coverage because they face a choice of offering insurance or staying in business. Some are reducing coverage to the bare bones in order to keep the cost down. Some are increasing their employees' share of the cost and letting the employees decide whether to keep coverage.

One small business I spoke with recently lost a skilled employee who had been with the company for years but who had to make the hard choice between insuring his growing family or staying with the company. He left the company and the state for another similar position with better insurance coverage. Another small business I visited agonized over keeping its coverage affordable so that enough employees would join the group plan, thereby ensuring that the plan stayed in effect for everyone else in the small company. Through careful and time-consuming negotiations with their insurance broker, they were able to find a plan that they and their employees could live with. Still, they face an increase in cost that will necessitate an increase in the price of their product.

As always, Maine's small businesses have been resourceful in their efforts to keep their businesses profitable and their employees productive. Maine's small busi-

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nesses know that healthy employees are productive employees and that healthy families mean less employee time away to attend to an illness at home.

Implicit in the Dirigo Health reform effort is an opportunity to do more than simply seek the lowest premium. In addition to finding cost-effective ways to insure small businesses and their employees, Dirigo Health can heighten our awareness of the connection of healthy choices and healthy environments to overall health care costs. If the small business community in Maine encourages health and wellness in their work environments, they can not only improve their own productivity, but also at the same time enhance the reform objectives of Dirigo Health. The 330,000 people who are employed by small businesses and their families make up close to half the state's total population. Small businesses in Maine are the right place to start for Dirigo Health and can help lead the state toward a successful reform effort.

Small businesses in Maine know the value of ingenuity, frugality and persistence in creating solutions to problems. They practice every day. The members of the Maine Small Business Alliance are eager to see what Dirigo Health brings. We applaud the governor and the legislature for taking this very important first step toward reform and look forward to continuing to raise the large voice of small business throughout the process. 🐟



Deborah Cook is executive director of the Maine Small Business Alliance, a non-partisan, non-profit membership organization dedicated to championing small business interests in the legislative and policymaking process. She has over 20 years of experience in public policy with Maine's non-profit and small business communities.