

DO SMALL BUSINESSES PAY MORE FOR HEALTH INSURANCE THAN 'BIG' BUSINESS?

The short answer is 'No'. The reimbursements for medical expenses that insurers negotiate are the same for both large and small groups. Repeat: the same! The "buying power" of insurers covering thousands – if not millions - of lives is passed along to their smallest two life group.

Touted as a way of lowering costs, association plans or co-operative arrangements are simply a different way of replicating the small group pools already used by most insurers. Savings *may* be achieved by avoiding certain state mandates or one time underwriting advantages but those savings always quickly dissipate.

DO LARGER POOLS LEAD TO LOWER HEALTH COSTS?

Again, the short answer is 'No'. Let me ask you a question? If 44.2 *million* people are covered by Medicare why aren't their costs lower? You answer, of course, this is a group of older folks. Seniors are sicker! That's right and also proof of what insurance professionals know; it is not the *size* of the pool but its make-up that is a predictor of claims experience.

Insurer small business pools are made up of thousands of lives (or at least they should be). Actuaries may quibble over the exact number, but somewhere around 2000 lives any such pool is 100 % credible; i.e. the claims can be predicted with near certainty. Insurance pools spread risk but have marginal effect at lowering costs. Risk management, reserve funding and administrative expenses account for – on average – 14% of every premium dollar. You can debate until you are blue in the face the merits of various health care *financing* mechanisms (including Single Payer) but even the most aggressive proposals only achieve a 20% savings out of this 14% piece of the pie! Sincere efforts at lowering premiums should be aimed at the utilization patterns and claims that drive *costs*.