Medical Xpress

Few small employers likely to opt out of health reform rules

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Rules that allow some small employers to avoid regulation under the federal Affordable Care Act are unlikely to have a major impact on the future cost of health insurance unless those rules are relaxed to allow more businesses to opt out, according to a new RAND Corporation study.

An analysis of two rules that allow small businesses to avoid participating in health reform concludes they will have only a minor impact because relatively few businesses are likely to take advantage of the options, according to findings published in the February edition of the journal *Health Affairs*.

"We found that keeping the rules as they are written, particularly the limitations on maintaining a grandfathered plan, will be essential to keeping premiums affordable in small business insurance exchanges," said Christine Eibner, the study's lead author and a senior economist at RAND, a nonprofit research organization.

The laws governing health insurance premiums for employers with 100 or fewer workers will change under the Affordable Care Act. Beginning in 2014, insurers will be able to set premiums higher or lower for enrollees at small businesses based only by the enrollees' age, family size, geographic location and whether they use tobacco. Factors such as gender, health status or previous claims history will no longer be allowed to affect premiums.

The goal of these strategies is to spread the financial risk associated with insuring unusually sick or high-cost enrollees across a wider pool of employers and employees.

Concerns have arisen that such cost sharing could be undermined if small employers with relatively healthy workers and dependents avoid the new regulations by self-insuring or by maintaining grandfathered health insurance plans -- two options that allow them to avoid regulation under the Affordable Care Act.

Should such a trend develop, researchers say, premiums offered to small businesses that remain in the exchanges could become unaffordable.

RAND researchers considered how the grandfathering and self-insurance options may impact coverage and premium costs for policies sold through insurance exchanges set up for small employers. The analysis was done using a sophisticated microsimulation model created by RAND Comprehensive Assessment of Reform Efforts (COMPARE).

The study concluded most small employers will not choose to self-insure because it exposes them to significant financial risk should the medical expenses of their employees rise unexpectedly. The analysis also concluded the self-insure option will reduce enrollment in the small business insurance exchanges changes somewhat, but it will not have a substantial impact on exchange premiums.

Researchers also report that federal agencies have projected that most small employers will not be able to meet the standards required to grandfather existing health plans after 2014.

If, however, regulations were relaxed to allow more employers to maintain grandfathered plans, premiums offered to small employers through health insurance exchanges would be significantly higher, according to the analysis. In that case, enrollment through the Small Business Health Options Program exchanges could drop by as much as 50 percent, according to the study.

Provided by RAND Corporation