

Grant Outcomes Report

A Small Business Health Insurance Initiative in the Southern Tier Region of New York State

The Problem:

Small businesses in Chautauqua County face special challenges in providing health insurance to their employees. The State's community rating laws establish a single premium across an eight-county area. However, household income in Chautauqua County is lower than in nearby counties: annual income in Chautauqua County is 25% less than annual income in adjacent Erie County.

More than 96% of employees in Chautauqua County work in organizations with fewer than 50 employees.¹ According to staff at the Manufacturers Association of the Southern Tier, "The business community again and again identifies rising health care costs and access to affordable health insurance as one of the most significant issues they face in operating their business."²

Grant Activities & Outcomes:

The Manufacturers Association of the Southern Tier is a 110-year-old organization committed to enhancing the economic strength of Chautauqua County, including providing access to quality, affordable health care.

The Plan

With a planning grant from the New York State Health Foundation's "Expanding Coverage Options in the Small Group and Individual Market in New York State" program, the Manufacturers Association:

- ▶ Examined options for aggregating the County's small employers into a larger unit that would allow them to reduce premium costs by using experience rating rather than community rating. Experience rating bases costs more on demographic characteristics of the insured than on geographic region.

¹ Manufacturers Association of the Southern Tier, proposal to the New York State Health Foundation, March 26, 2008, pg. 4.

² Manufacturers Association of the Southern Tier, proposal to the New York State Health Foundation, March 26, 2008, pg. 2.

KEY INFORMATION:

GRANTEE

Manufacturers Association of the Southern Tier

GRANT TITLE

Small Business Access Health Insurance Initiative

September 1, 2008 to April 30, 2010

GRANT AMOUNT

\$98,899

GRANT ID

2372703

FUNDING

Expanding Coverage Options in the Small Group and Individual Market in New York State (2008 RFP)

The options examined were a Professional Employer Organization (PEO) and a Multiple Employer Welfare Arrangement (MEWA). MEWAs are not subject to the same State insurance reserve, contribution, and other requirements applicable to insurance companies, and can presumably offer insurance coverage rates below those of regulated insurance companies. A PEO combines the employees of several companies into one large pool and can offer business owners better rates on health insurance, workers compensation, and other costly benefits. Neither MEWAs nor PEOs proved viable, and the national focus on Federal reform added uncertainty about the need for alternative approaches under consideration. Ultimately, the Manufacturers Association did not pursue a demonstration proposal with the Foundation.

► Analyzed demographic data and business perspectives through:

- A telephone survey of business owners regarding the nature of their business and whether they offered insurance.
- E-mail, mail, and telephone surveys of owners regarding their interest in a PEO.
- Focus groups and telephone conversations to ascertain the features owners most want in insurance plans.

It is important to note that during the grant period, the Manufacturers Association and the Chautauqua County Chamber of Commerce created an operational partnership. During this partnership, these business associations formed an alliance with Liazon Corporation. Liazon functions as an insurance exchange, handling enrollment, carrier relations, and consumer questions. It provides businesses with access to a range of health, vision, and dental plans.

The Results

The Manufacturers Association determined that regulatory requirements rendered the MEWA infeasible and it abandoned the PEO because businesses were not interested.

The Manufacturers Association explored two alternative options through a demonstration project designation. Under one option, Chautauqua County would pursue a Federal option (consumer operated and oriented plan, or CO-OP) promoting insurance for individuals and small business.

The Manufacturers Association is also pursuing changes in State regulations, including pulling Chautauqua County out of the eight-county region established for community rating. The national focus on Federal reform added uncertainty regarding the need for alternative approaches under consideration, however, and a demonstration project was not pursued.

To simplify access to coverage, the Manufacturers Association issued a request for proposals (RFP) to a variety of insurance carriers. The RFP sought to find an insurance partner that would provide more plan options for small businesses, work with the Chautauqua County Chamber of Commerce to implement cost containment strategies, and provide a thorough network of providers. Through this process, the Manufacturers Association selected to work exclusively with Univera Healthcare to provide eight health insurance plan options to employers through Liaison's "Bright Choices" online portal. The partnership with Liaison has allowed the Manufacturers Association to begin the implementation of an insurance exchange model with a focus on consumer driven health insurance.

New York State Health Foundation Observation

According to the Foundation's Senior Vice President David Sandman, "Manufacturers Association of the Southern Tier did what it set out to do and did it well. The Manufacturers Association concluded that its ideas for creating a Professional Employer Organization or a Multiple Employer Welfare Arrangement would not work, but we didn't consider that a failure. That is what planning grants are for."

BACKGROUND INFORMATION:

ABOUT THE GRANTEE

Manufacturers Association of the Southern Tier was founded in 1900 with the mission of enhancing the economic strength of the region. The Manufacturers Association promotes the common interests of its membership, develops services that benefit its members, and is a primary resource for information and assistance to promote manufacturing excellence and innovation in a global economy. It was one of the first Manufacturers Associations in the United States, and it became a model for other private, member-based associations. In 2008, its members had more than 9,000 employees representing \$250 million in annual payroll, \$600 million in plants and equipment, 250 acres of production space, and \$1.5 billion in annual sales.

GRANTEE CONTACT

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