



Increases are normal, but this year was ‘unbelievable’

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By **Beth Fitzgerald**

Employers are trying to figure out if they’ll be helped or hurt by the landmark Patient Protection and Affordable Care Act, which by 2014 will require individual Americans to have health insurance — and will slap financial penalties on midsized and larger employers who don’t offer coverage.



Guy Falzarano, chief executive of Rainbow Academy in Piscataway. [Christina Mazza]

But New Jersey employers, who already rank near the top nationwide for their willingness to voluntarily offer health plans to workers, face a more immediate crisis: soaring health insurance premiums like they’ve never seen before, with no end in sight.

“We had about a 30 percent premium increase this year,” said **Al Sharif**, president of the East Hanover tea importer **Harrisons & Crosfield**. “We get an increase every year, but this year was just unbelievable.” Sharif now pays \$491 a month for his own policy — up from \$372 last year — and he said several of his employees have dropped coverage in the face of higher premiums.

Sharif is hoping for some relief in 2014, when the new law ushers in the new health benefit exchanges, where individuals and businesses will shop for coverage.

“Maybe we can group together with other companies and get a better rate,” he said. “Once the playing field is leveled across the country, health insurance will be more competitive. And if more companies come into New Jersey, I think it will be a good thing for us.”

Pat Trinca is vice president of human resources at **Joseph Cory Cos.**, a Secaucus company with 300 employees that provides home delivery services for retailers. This year, the company began offering a high-deductible health plan with lower premiums that “we passed along to our employees,” she said. The company funds health reimbursement accounts that workers use to

pay deductibles and medical bills.

“We are trying to create more of a consciousness about wellness and the cost of medical care,” Trinca said.

Guy Falzarano is chief executive of **Rainbow Academy**, which operates 11 childcare centers employing 370. He pays half the insurance premiums for his staff, yet many decline the coverage.

“We have a lot of young people, 20 to 30 years old, who figure they don’t get sick a lot and they don’t need insurance,” he said. The price of coverage is an issue — at about \$400 a month for the individual plan, the employee share is \$200 a month. So Falzarano introduced a limited-benefit plan that costs workers as little as \$30 a month — but only about 10 signed up.

“It’s very frustrating to me to offer benefits to people who don’t want to take them, when I’m willing to pay 50 percent,” he said.



Employers that opt to not offer health insurance for their employees, and have more than 50 full-time workers, face a penalty of \$2,000 a year per worker in 2014, although there is no fine for the first 30 workers. [Thinkstock Photos]

In 2014, when the law’s individual mandate kicks in, Falzarano’s employees will be required to get insurance; the government will provide subsidies for low-wage workers, said **Don Mallo**, vice president of human resources for **Extensis**, in Woodbridge, a professional employer association that provides HR services to Rainbow Academy.

The law offers several financial benefits to employers, Mallo said. For instance, in 2010, employers of fewer than 25 who pay at least half of their workers’ premiums will get a tax credit of 35 percent of their premiums, provided the company’s average salary is less than \$50,000.

Combing through the massive legislation “is like prospecting for gold; sometimes you find fools’ gold, and sometimes you come up with nuggets that are really helpful,” he said.

The law offers incentives for businesses to improve the health of their employees, explained **Joe Torella**, president of the employee benefits division of the insurance adviser **HUB International Northeast**. So while costs will rise in the short run, “helping employees get more actively involved in their health” could lead to better outcomes and lower costs in the long run, he said.

It will be 2018 before the new law is fully phased in, and the initial round of regulations aren’t expected from the federal Department of Health and Human Services and the Internal Revenue

Service until late summer.

Attorney **Keith R. McMurdy**, a partner at **Fox Rothschild**, in Roseland, is writing a blog on the new law and advising employers to “take a step back from the ledge,” since there will be time to learn the regulatory ropes as things unfold, he said.

One key provision kicks in Sept. 23 — insurance plans that come up for annual renewal following that date must allow dependent children to stay on the family’s health insurance until age 26, and eliminate annual and lifetime caps on the dollar value of claims.

Employers that don’t offer health insurance, and have more than 50 full-time workers, face a penalty of \$2,000 a year per worker in 2014, though no fine is charged for the first 30 workers.

“The long-term impact of the law will be to decrease the number of employer-sponsored plans in the marketplace,” McMurdy said, envisioning a scenario where employers in certain industries find “they don’t have to offer health insurance, and can still get the class of workers they want. It will set the tone for what is acceptable.”

Employers may opt to let their workers buy their own coverage on the exchange, then provide a supplemental policy for extra services, he added.

David Oscar, president of the New Jersey Association of Health Underwriters, also thinks employers will seriously consider paying the penalty for the privilege of dropping their health care plans.

“I have a client with 50 employees, so he would have a \$40,000 penalty” after the 30-worker exemption, said Oscar, a benefits consultant with **Altigro**, an employee benefits consultant in Fairfield. “Right now, he’s paying \$147,000 a year for his employees’ coverage.” Not only is the \$40,000 penalty cheaper than the employer’s premium bill, but providing health insurance is a costly administrative burden, Oscar said. The employer who drops health care may be able to reduce administrative overhead and run with a leaner staff, he said.

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