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As Health Costs Soar, G.O.P. and Insurers Differ on Cause

By [ROBERT PEAR](#)

MANCHESTER, N.H. — Workers at a circuit-board factory here just saw their [health insurance](#) premiums rise 20 percent. At Buddy Zaremba's print shop nearby, the increase was 37 percent. And for engineers at the Woodland Design Group, they rose 43 percent.

The new federal health care law may eventually “bend the cost curve” downward, as proponents argue. But for now, at many workplaces here, the rising cost of health care is prompting insurance premiums to skyrocket while coverage is shrinking.

As Congress continues to debate the new health care law, health insurance costs are still rising, particularly for small businesses. Republicans are seizing on the trend as evidence that the new law includes expensive features that are driving up premiums. But the insurance industry says premiums are rising primarily because of the underlying cost of care and a growing demand for it.

Across the country, premiums have more than doubled in the last decade, with smaller companies particularly hard hit in recent years, federal officials say.

In New Hampshire, where the population is among the healthiest in the nation, according to various surveys, the insurance market for individuals, families and small businesses is extremely fragile. More than 90 percent of private employers in New Hampshire have fewer than 50 employees. Small and medium-size employers try to shop around for health insurance, but have few alternatives from which to choose. This year, groups of more than 20 workers have been experiencing premium increases of around 20 percent, insurance agents say, while smaller groups are seeing increases of 40 percent to 60 percent or more.

“The rate of increase is phenomenal,” said Jean Pierre La Tourette, owner of Flora Ventures, a florist with 11 employees in Newmarket, N.H., near Portsmouth. When he was recently notified that the monthly premium for single employees at his firm was going up by \$229, or 40 percent, to \$789, Mr. La Tourette said, he felt “a combination of anger and frustration.”

Economists and state regulators say health insurance is expensive primarily because health care is expensive.

“You won't really address the cost of health insurance unless you address the cost of health care itself,” New Hampshire's insurance commissioner, Roger A. Sevigny, said.

In a letter explaining Mr. La Tourette's new rate, [Anthem Blue Cross and Blue Shield](#) said it resulted, in part, from "an increase in medical trends, especially the utilization of services and the underlying cost of health care, for all small-group customers."

William P. DeLuca III and his family own several companies, including four car dealerships and the Bank of New England, which together have 550 employees in New Hampshire and eastern Massachusetts. To obtain a better rate, Mr. DeLuca said, he switched this year to [Harvard Pilgrim Health Care](#) from [Tufts Health Plan](#). The Tufts increase would have been 23 percent, he said, while Harvard Pilgrim's was 19 percent.

"It's out of control," Mr. DeLuca said. "The cost of living is barely going up 1 or 2 percent a year. But we and our employees have to absorb these huge increases in health insurance costs."

Some insurance industry lobbyists say the new federal health care law is driving up premiums. But Vincent Capozzi, senior vice president for sales and customer service at Harvard Pilgrim, said that only one percentage point of the increases here was attributable to the federal law, mainly its requirement for free coverage of preventive services.

Another percentage point results from new state laws requiring coverage of [hearing aids](#) and certain treatments for [autism](#), Mr. Capozzi said. Most of the remainder, he said, reflects increases in the use and cost of medical care by small-group customers, with adjustments for demographic characteristics like age. In many cases, insurance coverage is shrinking as deductibles are increasing and choices of [hospitals](#) are more limited. Robert I. Woodland, the president of the Woodland Design Group, said his company had experienced double-digit increases in premiums for seven years, even as benefits were whittled back. Most recently, he was notified that the rates were being increased 43 percent, so the monthly premium for a single worker would be \$550, up from \$384.

"Essentially, we have been paying a lot more for a lot less," Mr. Woodland said. "It's outrageous. I cannot imagine charging my clients 43 percent more in a single year."

James D. Bell Jr., the president of the EPE Corporation, which assembles electronic circuit boards at its factory here, said health insurance trends were starkly different from those of his other business expenses. "Everywhere else I see a decrease in costs as a percentage of sales when the business grows," Mr. Bell said. "We can buy raw circuit boards from hundreds of suppliers in the United States and overseas. But only two or three health plans make serious bids for our business."

In an effort to save money last year, Mr. Zaremba's company, RAM Printing, chose a health plan that required employees to pay more of the cost. The added expense had an immediate impact.

"I took a 5 percent cut in pay, because of the economy, and I was paying more for health care at the same time," said Gary J. Silveira, a longtime print shop employee. "We still owe \$1,000 to our [family doctor](#); I'm paying \$100 a month. I'm three months overdue in paying physical therapists who treated my son. And I skipped a few months of [blood pressure](#) and [cholesterol](#) medications just to save money."

Obama administration officials said several provisions of the new federal health law would help make insurance more affordable.

Insurers must publicly justify large rate increases, and they must spend at least 80 percent of premium revenue on health care. Starting in 2014, each state will have a central market where consumers and small businesses can pool their purchasing power and buy insurance. In theory, the exchange could bring more insurers into the market, increase competition and drive down prices.

In his budget address on Feb. 15, Gov. [John Lynch](#), a Democrat, said hospitals were part of the problem. Instead of using their "excess cash" to reduce health care costs, Mr. Lynch said, "hospitals spend it on

advertising, trying to attract market share from each other, buying physician and laboratory practices across the state, and then increasing overhead charges to patients.”

He proposed “a moratorium on the construction of new facilities by hospitals.” Such construction, he said, is “driving up utilization and costs.” But the [New Hampshire Hospital Association](#) objected, saying a moratorium would block spending on new medical equipment and health information technology needed to improve care.

Governor Lynch won a fourth two-year term in November. At the same time, control of both houses of the state legislature flipped to Republicans from Democrats, putting into question state efforts to carry out the federal health law, which promises to be a big issue in the state’s 2012 Republican presidential primary. Mr. Sevigny, the insurance commissioner, had been poised to award a \$610,000 contract for work on a health insurance exchange. But he pulled back the contract, financed entirely with federal money, after Republicans raised questions.

“It would be frivolous to spend taxpayer dollars on implementing a law that could very well be thrown out” by the courts, said William L. O’Brien, speaker of the New Hampshire House of Representatives. The House Republican leader, D. J. Bettencourt, said, “We don’t want to become addicted to federal money.”

Republicans are trying to block or slow the creation of insurance exchanges in several other states as well. Delays will make it more difficult for states to meet federal deadlines, and Mr. Sevigny said it was important for state officials to understand that the federal government would itself set up an exchange in any state that did not do so.

To some people hammered by rising premiums, the federal law offers a glimmer of hope. “It’s imperative that we move forward with a plan that spreads the cost of insurance over a large population,” said Mr. La Tourette, the florist. “I’m just thrilled that [President Obama](#) was able to get health care passed in any form. We can improve it later. I’m terrified that it will be repealed.”