



From Out Here: On the Health Insurance Dilemma

By Jack M. Geller, Ph.D.

Many in economic development circles have touted the virtues of the entrepreneur - and for good reason. A recent report from the Minnesota Department of Trade and Economic Development documents that small business start-ups are an important key to our state's economic growth. In fact, the results of DTED's recent survey of businesses started between 1994 and 1998 found that 76 percent of these start-up companies were small businesses, having 25 or fewer employees. As one DTED official was recently quoted in the St. Paul Legal Ledger, "You have to think of small companies as being the seed bed of the economic future."

It is precisely because of the emphasis on small businesses as a key to our economic growth, that I was dismayed by the results of another study on the health insurance marketplace in rural Minnesota commissioned by the Center for Rural Policy and Development. The study was conducted by Dr. Robert Conner of the Carlson School of

Management at the U of M and surveyed 160 local businesses in rural communities in western Minnesota. The study's findings documented the following:

- Only 52% of small rural businesses offered their full-time employees health insurance coverage.
- Only 4% of these same businesses offered insurance to their part-time employees.
- Over 40% of small rural businesses reported health insurance premium increases of 20% or more in the past 12 months.
- In addition to the premium increase, 26% of the small rural businesses reported increases in deductibles and co-payments.
- And most importantly, rural businesses reported that changes in their insurance coverage are having a negative impact on their ability to recruit and retain quality employees.

It seems to me that if Minnesota's small businesses are truly the seedbed of our economic growth, the implications of this study for rural development should be of great concern. Clearly, half of these small rural businesses are already priced out of the health insurance market, and with double-digit premium increases becoming an annual occurrence, the number of additional small businesses that will be priced out of the market could increase.

Larger employers, while having more options, are not immune from these trends either. Recall that the recently resolved state workers strike centered around the State wanting its employees to share a greater percentage of their health insurance costs. The Ventura administration, citing large and continuing premium increases by participating health plans, looked for ways to lower the burden on the State budget. But from my perspective it just shows that if the largest employer group in the state can't negotiate to contain its

health care costs, what chance does a small rural business have?

As economic experts point out, large businesses generally expand and create new jobs when economic times are good. But the entrepreneurs creating new smaller businesses create jobs through business start-ups all the time. And let's not forget that the majority of businesses throughout rural Minnesota are small, by anyone's yardstick. Consequently, as we ponder whether our economy is just experiencing a downturn or a full-fledged recession, it is clear that we need that

entrepreneurial energy now more than ever. But if access to health insurance creates a barrier to recruiting quality employees, the ability to grow that seedbed of economic growth could be severely restrained.

If there is any good news in all this, it is that for the past two years the State Legislature has invested in the exploration of new rural-based health insurance purchasing alliances. These new alliances will operate much like cooperatives, allowing individuals and small businesses to combine their purchasing power and negotiate with local

providers and health plans alike. It is likely that not all of these new ideas will succeed as they look for new ways to make health insurance affordable. But it's a risk clearly worth taking. If we can't figure out how to make health insurance affordable for small rural employers, the economic consequences will be grim.

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