

## Small businesses pay when Medicaid is not expanded

by Sandra A. Cook and Don Stull

Every politician likes to talk about small business owners. Every politician appears to be concerned about our interests and us. But not every politician understands what we go through and what solutions would really help.

As a matter of introduction, Don is a small business owner in the food industry and a member of the Virginia Main Street Alliance, a group that supports small businesses and works to empower them to speak out on the issues that affect them.

Sandra is the board chairperson for a nonprofit statewide organization, Virginia Organizing, which is much like a small business when it comes to jobs and employee benefits.

Don is not currently able to provide health insurance for his employees due to the cost, but he would like to. Sandra covers all the health insurance premiums for employees.

Currently, the insurance companies make a lot of money from the premium dollars we spend. CEOs make millions of dollars in compensation. Sandra's organization paid out \$394,149 last year in health insurance premiums but only \$234,666 was paid out for claims — a difference of \$159,483, which went to Anthem for administration and profit. The CEO of WellPoint (the parent company for Anthem) received \$20.6 million in compensation in 2012 for only eight

months of work as the CEO.

If enacted and upheld in its entirety, by the U. S. Supreme Court, the Affordable Care Act would have reduced the premiums of those already with insurance by spreading the risk across a broader, and more healthy, pool of insured people, getting more uninsured people who could not afford insurance signed up through subsidy programs in an exchange or through expanded Medicaid, and the MLR requirement.

The MLR, or medical loss ratio, requirement limits the amount that insurance companies can spend on administrative expenses to limit price gouging on consumers who would have to purchase insurance and making that insurance more affordable.

Since the Affordable Care Act says that insurance companies can only use 20 percent of the premium dollars from small businesses for administrative costs, this may help Sandra's small business by providing a refund of some of those premium dollars based on the insurance pool of the policy.

However, the U.S. Supreme Court did not uphold one of the elements of the Affordable Care Act and, as a result, states have the option to not participate in Medicaid expansion without any consequence for not participating.

Virginia has had a tumultuous relationship with Medicaid expansion. At first, Governor Bob McDonnell said he would not expand Medicaid. The Virginia Gen-

eral Assembly had a few other ideas and eventually a compromise was reached to select members from the House of Delegates and the Senate to serve on the Medicaid Innovation and Reform Commission.

One Delegate from South Hampton Roads, Johnny Joannou, was selected for this Commission.

The Commission will decide if reforms have been implemented, and if they have, the Commission should vote to allow Medicaid expansion to start. This could happen as early as July 2014.

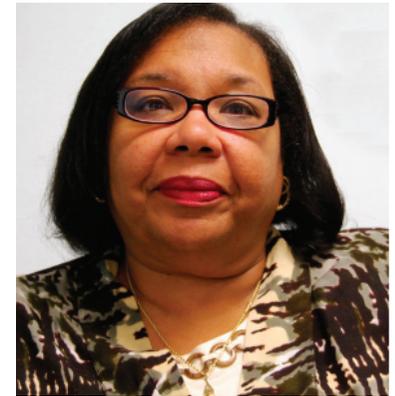
What does Medicaid have to do with small business premiums? When people go to an emergency room, they are treated, with or without insurance. When the hospitals cannot collect money from a patient, they provide "uncompensated" care and lose money.

The hospitals have to make up for that, so they charge higher amounts for services for those who can pay. The insurance companies then pass those costs to the consumer so it doesn't affect their profits.

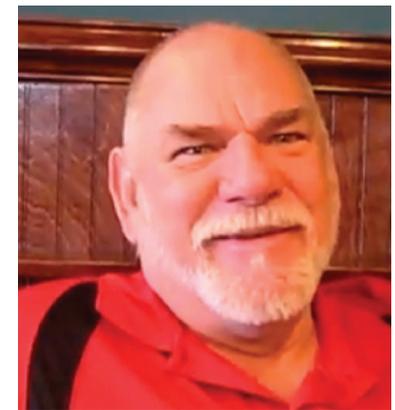
If Medicaid were expanded in Virginia, small businesses would benefit in two ways. First, insurance companies would save money. Since the insurance companies have to meet the 20 percent MLR guideline for businesses with fewer than 50 employees, they can't just keep the savings.

Second, fewer tax dollars will need to be spent on uncompensated care by state hospitals, so taxes can go to other functions like educating a better workforce, transportation solutions that benefit all businesses, and other core government functions.

If small businesses could save money on premiums, we could hire more people and grow and expand. We think small businesses should encourage Delegate



Sandra A. Cook



Don Stull

Joannou to work hard to expand Medicaid as quickly as possible for the sake of small businesses and all Virginians.

If the state does not expand after January 1, 2014, we forfeit \$5 million from the federal government every single day! That's money that could help bring down some of the premiums and really make health care more affordable for small businesses and all Virginians.

*Sandra A. Cook, who is from Petersburg, is chairperson of Virginia Organizing. Don Stull is the owner of Woody McGee's in Virginia Beach.*

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