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For franchisees, association health plans could fix uninsured problem



by David L. Cahn

It is hard to imagine that in such an advanced country as the United States, more than 45 million Americans are without health insurance. According to published reports,

more than 60 percent of uninsured

Americans work for small businesses, which are defined as those with between two and 50 employees.

It also may surprise you that businesses such as Dunkin' Donuts, Jiffy Lube and Comfort Inn generally fall into the "small business" category because they are franchised and usually employ fewer than 50 employees under one owner. So, despite being perceived as part of a national "chain," a Dunkin' Donuts shop in Hampden and a nearby independently owned auto repair shop are facing the same insurance challenges in obtaining affordable group health insurance for their owners and employees.

In part, the problems for small businesses result from the combination of insufficiencies in the federal Employee Retirement Income Security Act and the difficulty in asking insurance companies to comply with mandated benefits, which vary from one state to another.

Given the magnitude of this health care crisis — impacting tens of thousands of

franchisors and franchisees, as well as their employees — the International Franchise Association has indicated that legislative reform in this area is the "highest legislative priority." To that end, the IFA supports the federal "Small Business Health Fairness Act" that has been passed by the U.S. House and is pending before the Senate.

This legislation would allow small-business employers, including franchise owners, to obtain and offer health insurance benefits through membership in a legitimate trade association, including a franchise system or a trademarked dealer network that chooses to offer such a benefit.

If the legislation is passed, it seems likely that larger well-established franchisors or established independent franchisee associations will begin purchasing health insurance as an association comprised of franchise owners, their employees, and perhaps employees of the franchisor. It also would be possible for the franchise association and other multi-state trade associations to organize purchasing pools so that their members can purchase on a large group basis, taking advantage of such economies of scale.

Another benefit of the Small Business Health Fairness Act is the fact that the federal Health Insurance Portability and Accountability Act would apply, making it illegal for plans to deny coverage to or discriminate against any eligible partici-

pant based on age or a pre-existing health condition.

In addition to greater availability of competitive insurance plans that would result from passage of the legislation, the financial benefit of such reform would be significant. The Congressional Budget Office estimates that small businesses could experience premium reductions of 13 percent and 25 percent, which would provide an average savings of \$1,500 per family in health plans offered by small businesses.

Moreover, this reform would not be costly to taxpayers. The Department of Labor, which already supervises health plans offered by labor unions and corporations for their employees, will simply develop a clarification and monitoring program for the new small business/association plans.

From the perspective of a small-business owner, any legislative reform that will not involve substantial government expenditures and is likely to increase the number of insured individuals is a good thing. In addition to helping small businesses become more competitive employers, such legislation will benefit all of us because a decrease in uncompensated "charity care" provided in emergency rooms should lower overall rates for important medical services.

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