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Providers in pinch on health reform Cost of coverage worries nonprofits



Marva Serotkin of the Boston Home in Dorchester expects another 30 to 35 employees to sign up for health benefits. (JONATHAN WIGGS/GLOBE STAFF)

By Jeffrey Krasner, Globe Staff | January 17, 2007

The state's landmark healthcare reform, which seeks to provide universal health insurance coverage, is creating an unexpected financial crisis for many clinics, nursing homes, and other healthcare providers.

The providers say they are bracing for substantial increases in their healthcare costs, as more of their employees comply with the reform law by signing up for insurance already offered by the small, nonprofit organizations.

Officials at area healthcare nonprofits say that compared to many other small businesses, they have a limited ability to offset the costs of adding workers on an insurance plan because their revenue is largely dependent on fixed federal and state reimbursements.

"We have 250 employees," said William J. Walczak, chief executive of the Codman Square Health Center in Dorchester. "If they all sign up for our insurance plan, that will mean an additional \$400,000 or \$500,000 in additional costs. Where's the money going to come from? It has to come out of our bottom line."

Until now, many employees of small healthcare providers have not purchased insurance because they considered it an extra expense they couldn't afford. For instance, health center outreach workers who counsel patients earn from \$11.70 to \$17.95 an hour, according to a Massachusetts League of Community Health Centers survey.

But under the new law, everyone in Massachusetts is required to sign up for an insurance plan by July 1 or face potential penalties, including the loss of their personal state income tax exemption. Insurance coverage offered through an employer is typically less expensive, since the company pays a portion of the premiums.

Last fall, the state started providing free health insurance policies to those earning less than the federal poverty level, \$9,804 a year for an individual. On Jan. 2, subsidized policies for those earning up to three times that amount were made available. But employees of firms that offer health coverage must purchase it through the company, no matter their income.

Sandy Albright, director of Kit Clark Senior Services in Dorchester, said one-third of her 150 employees are now enrolled in a healthcare plan through the center. It pays 50 percent of their premiums. If another 50 employees sign up in response to healthcare reform, Albright said, she expects her annual healthcare costs to more than double to \$450,000. The center provides meals, transportation, home visits, and other services to seniors and others in Boston.

"We don't know what we would do under those circumstances," she said. "The best way to put it is this is an unintended consequence of the healthcare reform law."

State officials said they realize healthcare reform is likely to create financial hardships for many businesses, but that there are no provisions in the law to provide them with immediate relief.

"From a business perspective, this is something business owners will have to watch carefully and think about how they're going to manage," said Amy Lischko, commissioner of the Division of Health Care Financing and Policy, one of the state offices implementing healthcare reform. "We'll have to keep an eye on if this is something really big that we'll have to respond to," she said.

Over time, Lischko added, it is possible that some small healthcare providers will be able to "absorb" the costs of providing insurance to more employees.

Bob Baker, president of the Smaller Business Association of New England, which represents about 700 companies, said his Massachusetts members are primarily concerned about whether reform will help reduce annual premium increases that have averaged about 10 percent in each of the last seven years.

James W. Hunt Jr., chief executive of the Massachusetts League of Community Health Centers, said he is worried about the impact of healthcare reform on the state's 52 community health centers.

"This could be a major issue for small providers," he said. "They want to get proactive to make sure they don't wind up where they can't afford health insurance for their workers."

For some providers, that means attempting to anticipate how many additional employees will buy coverage so they can determine if there is way to cover the added expenses.

Marva Serotkin, chief executive of the Boston Home, a Dorchester nursing home with 96 beds, said it pays 70 percent of individual health insurance and 60 percent of family insurance for employees, or about \$4,000 a year for individuals and \$7,000 a year for families. About 43 percent of the 212 full- and part-time employees at Boston Home are enrolled in its plan, at a cost to the nursing home of about \$360,000 annually. She expects another 30 to 35 to sign up under

healthcare reform, adding at least \$150,000 in expenses. But most of her residents pay their bills with Medicaid, the state-federal program for the poor, which reimburses nursing homes under a set schedule.

"I can't increase the cost of services," she said. "I don't know what to do."

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