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— Matt Thomas, president, WorkSmart

As an entrepreneur, Jennifer Marshall was prepared to take risks when she started her photography business: revenue that ebbed and flowed, a potential change in lifestyle to match her lower income and a host of other things that go along with becoming self-employed. She wasn't prepared for the difficulty — or expense — of the health insurance options available to small businesses. Monthly premiums for comprehensive coverage can run anywhere from \$500 to \$800.

When Marshall, a commercial and portrait photographer, first started MG Photography in Fishers, she was still married and covered under her husband's health plan. After her divorce, she was forced to find her own. She found coverage through her credit union but could only afford a plan for catastrophic health issues. She's since switched to another insurance provider, but her coverage is similar and, with premiums of \$145 monthly, covers only two office visits annually.

"Needless to say, I avoid going to the doctor as much as possible. You just can't afford to go every time you feel sick."

Marshall has taken a holistic approach to her health care that involves herbal supplements and yoga. She says visits to holistic practitioners and the cost of supplements ends up being cheaper than the \$80 to \$100 visits to a primary-care physician.

"I'm a pretty healthy person. Except for yearly visits for female stuff and mammograms, I go to the doctor once a year. I don't even have a family practice doctor," Marshall says.

The ranks of small businesses in Marshall's situation are growing. As health-care premiums rise each year, more people take the risk of going uninsured or pare down their coverage. Experts say avoiding the cost of health care is virtually impossible. Only employees of large corporations get great coverage at an affordable price because their employers pick up the tab.

"Generally, people are angry as heck about the cost of health care," says Dennis Peare, a partner who works exclusively with health-care clients at BKD, a regional accounting firm. "It's not like going down to Wal-Mart and buying a bottle of Advil. You go to the doctors office or emergency room, and the sticker shock is incredible."

Peare's clients include hospitals, physician group practices and long-term care companies. He says the best way to lower out-of-pocket health-care costs is to become a member of a larger group that is better able to absorb costs. Insurance companies are unwilling to accept the risk associated with small groups in which one or two members can have a large influence on claims, Peare says.

Because hospitals and other medical providers participate in Medicare and Medicaid, they're required to provide services without regard to patients' ability to pay. As a result, Peare says providers aren't fully compensated for their services. Nor are they compensated for services provided to uninsured patients whose costs are passed to everyone else in the form of higher premiums, Peare says.

"It's important for people to understand that health-care providers are operating generally on very thin margins."

The only way to acquire comprehensive coverage at potentially affordable rates is to join a large group. Companies like WorkSmart Systems — a Castleton-based conduit company for health insurance and other human resources functions — make it possible for small businesses to purchase health insurance in bulk by pooling resources. WorkSmart takes on the human resources function for clients that become "employees" of WorkSmart, even though they continue to operate their businesses separately. As employees of WorkSmart, small-business owners have access to three health plans.

Operating with WorkSmart's customers as employees, the company has amassed an employee base of about 900 and has managed to keep annual health insurance hikes to about 12 percent, while the Indiana-area average is as much as 35 percent. Even then, individuals should expect to pay at least \$500 monthly for more comprehensive coverage.

"The Indiana market is quite a bit worse for health care than the rest of the country," says Matt Thomas, WorkSmart's president. "We have a pretty unhealthy population compared with the rest of the country." That leads to higher health insurance rates. WorkSmart's typical clients are companies with about 10 employees. At that size, even when there are few claims, premiums go up drastically each year. "If they have been sick, they're getting killed," Thomas says.

WorkSmart charges clients an administration fee for providing health insurance, but clients also have access to a host of other benefits such as 401(k) plans and payroll services.

As former executive vice president for a Pennsylvania-based plumbing manufacturer with annual sales of about \$150 million, Bill Tibbs was well aware of how much health insurance costs. Nevertheless, his company picked up the tab for most of his premium. It wasn't until he moved to Fishers in 2000 to start Signature Interiors, a window treatment and interior decorating company, that the reality of health insurance costs kicked in. Tibbs pays \$1,364 monthly to cover two employees.

"Every year we search for better rates and better benefits. Generally we stay right where we are," Tibbs says. "Not one of them is conducive to the small business person. We'd love to add vision, but it's ridiculously unaffordable."