

Soaring Costs Prompt Small Companies To Ask: How About a Raise Instead of a Medical Plan?

By Gregory M. Lamb
The Christian Science Monitor

Ethan Hartsell is facing some tough decisions before the end of the year. Healthcare costs are soaring, and as comptroller of A&D Precision in Fremont, California, he may have to raise the co-payments his 31 employees shell out for the company plan.

But even that may not be enough. Back in 1998, the cost of health benefits equaled 1.1 percent of A&D's sales. Today, it's 2.3 percent. In the "low margin" semiconductor business that A&D is in, Mr. Hartsell says, that's almost more than the company can bear.

So A&D is considering another option: Letting employees take cash or other incentives instead of signing up for the company's medical plan at all. "We're considering it," Hartsell says, even though he's not yet sure just how to how to go about it or what the incentives would be.

Encouraging employees not to participate in the company's health-care plan may be a growing trend among small businesses, says Richard J. Cellini, the head of research at Salary.com Inc. in Needham, Massachusetts, which helps companies manage employee expenditures. In a survey it released last week, Salary.com found that 14 percent of businesses with 200 or fewer employees were enticing employees to not sign up for the company medical plan in order to save the company money. As inducements, they might be offered funds for their retirement plan, for a private Health Savings Account - or just plain cash.

Owners could offer a 10 percent raise to an employee to opt out of the healthcare plan and still come out ahead, Mr. Cellini calculates. That's because his survey indicates that the cost of providing healthcare to an employee averages 14.6 percent more on top of the employee's salary.

Young healthy employees might be tempted to take the cash and do without health insurance - or find they can buy it more cheaply elsewhere and pocket the difference.

But that's not a good strategy for many, says Kathleen Stoll, director of health policy at Families USA, a nonprofit healthcare advocacy group. "For sicker or older people, that leaves you in the individual [health insurance] market," she says. Getting insured can be expensive and "really, really tough, if you can get coverage at all."

Cellini says most people who opt out know they can get health

coverage another way, through a spouse's company, parents (if they're still a minor), or perhaps through a college or university if they're a part-time student.

"It doesn't benefit anybody for an employee to be covered twice

A survey indicates that the cost of providing healthcare to an employee averages 14.6 percent more on top of the employee's salary.

and pay premiums twice, because when you break your arm you only get one check" from just one insurer, he says. "A certain amount of this [opting out] is healthy and efficient."

What it does show, he says, is how hard small companies are looking to cut healthcare costs. "Just as healthcare costs are ratcheting up, [small businesses] are ratcheting up their efforts to contain those costs."

"I think we're seeing a sea change," says Jamie Amaral, director of health research at the National Federation of Independent Business (NFIB), the nation's largest small-business advocacy group. "Small employers are beginning to say, 'I want my employees to pick the [health] plan they want and take the risk they want.'"

More and more NFIB members would like to see an "uncoupling of the employer-employee relationship as far as health insurance is concerned," Ms. Amaral says. "They're seeing it as more of an individual responsibility." Some set aside money to contribute toward employees' healthcare, then bring

in an insurance agent to talk directly to each employee about what plan to choose.

Healthcare has been the No. 1 issue for NFIB members since 1986. Last year, 65 percent of NFIB members listed it as primary, "the highest it's ever been," she says.

The 600,000 members of NFIB, which average just six employees each, have seen double-digit increases in their healthcare costs in recent years, resulting in a tripling of costs over the past six years.

Mom-and-pop shops often operate on a slim margin, says Ms. Stoll of Families USA. They want to do the right thing for their employees and often have a close personal relationship with their workers. "They're saying, 'I need help so I don't leave these people uninsured and unable to go to the doctor,'" she says.

Being uninsured is a major financial gamble for families. The average medical spending for a typical family of four rose to \$12,214 in 2005, according to Milliman Inc., a global consulting and actuarial firm based in Seattle.

Cellini and Amaral both say that small businesses might try joining together to create larger pools of employees in order to negotiate lower premiums. Only 1.7 percent of small businesses surveyed by Salary.com do this now.

Legislation passed in July by the U.S. House would allow businesses to join together across state lines to form cooperatives to buy health insurance.

The bill is controversial because health insurance is little regulated at the federal level and regulations can vary greatly from state to state. Stoll and others worry that buying groups would flock to states with weak insurance safeguards that offer inadequate plans.

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Country Hoe-Down on Tap at Cheboygan

The Cheboygan Area Arts Council will host a Cheboygan Country Hoe-down, Saturday, September 3, from 4 p.m. to 11 p.m. at the Cheboygan Opera House parking lot. Admission is \$10 for adults and \$5 for children age 12 and younger. Advance tickets may be purchased at the box office or on the day of the event at the tent entrance.

On Saturday, September 10, The Opera House will feature the jazz talent of The Four Freshmen, at 7:30 p.m. Tickets cost \$21 for adults and \$8 for students through high school. Tickets may be obtained through the box office or one and a half hours before curtain time.

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SATURDAY SEPTEMBER 3RD
Noon-3:00

CEDARVILLE - 3 BR ranch home on 200' of rare deepwater access on Lake Huron 92' L-shaped crib dock. Large elevated deck. (04-94093) **Reduced! \$334,900**

Directions: 3 miles E of Cedarville to Lakeside Rd, left around curve at Muscove Rd, 1/2 mile to East McKay Bay Trail.

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SATURDAY SEPTEMBER 3RD
Noon-3:00

CEDARVILLE - New, luxurious condominium with 2 BR, 2 baths & 1 car attached garage. Private front, rear & garage entries. (05-538) **\$104,500**

Directions: From Cedarville blinker, east on M-134 to Beach St, right to Grove St, left 1/2 mile on Grove. Property on left.

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SATURDAY, SEPTEMBER 3RD
Noon-3:00

CEDARVILLE - 100' of waterfront on Sand Bay. Enjoy a protected bay & view of St Martin's Reef lighthouse from 3 BR, 2 bath modular with custom addition. (05-731) **\$268,000**

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Noon-3:00

HESEL - 3 BR home with basement & 2 car garage. Vinyl siding & new windows & doorwall. Features deck, fenced yard & garden area. (05-408) **\$115,000**

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SATURDAY, SEPTEMBER 3RD
Noon-3:00

HESEL - Brick home with private yard. Updated with doors, triple pane windows, countertops, sinks & flooring in kitchen. (04-93505) **Reduced! \$114,900**

Directions: Approx 1/2 mile west from Hessel light on M-134.

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SUNDAY, SEPTEMBER 4TH
Noon-3:00

CEDARVILLE - 3 BR, 3 story home with loft. Close to marina, school, restaurants & shopping. Zoned commercial as well as residential. (05-791) **\$127,500**

Directions: South Meridian Rd @ blinker light Cedarville, 4th house on the left.

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HOMES AND CABINS

ST IGNACE - Waterfront contemporary on 99' Lake Huron frontage, overlooking Mackinac Island with 3BR, 1.75 baths, attached 2 car garage. (94097) **Reduced! \$339,000**

ST IGNACE - Cozy 3 BR, 1 bath bungalow with attached 1 car garage & storage garage. New roof & vinyl siding. On a private drive with 100x150' lot. (05-32) **Reduced! \$119,000**

BREVORT - 3 BR, 2 bath ranch home with attached 2 car garage. Very well-maintained, 23 miles west of the Mackinac Bridge. (05-199) **\$129,000**

BREVORT LAKE - Home with 3 BR, 1 bath offering an open view of the lake with a 20' strip of shoreline allowing for a boat & dock access. (05-190) **Reduced! \$169,900**

BRIMLEY - Outbuildings on 3.9 acres. 20x18 cabin used for storage, 24x48 pole barn, 24x32 garage. Electricity available, no well or septic. (92876) **\$45,000**

CEDARVILLE - Unique & charming cottage/house. Within walking distance to downtown. 3 BR, 2 baths with extensive porch & 1 car detached garage. (04-93605) **\$134,500**

CEDARVILLE - Home on Moose Jaw Cove on Beavertail Pointe. Abundant wildlife. 2 BR, 1 bath, full basement & large garage. (04-93355) **Reduced! \$159,000**

CEDARVILLE - On Cedarville Bay, cottage/home with 126' of waterfrontage, fantastic views from large deck! Custom woodwork, stone fireplace & more. (05-72) **\$279,900**

DETOUR - Log home with 260' of waterfrontage overlooking the St. Mary's River & Drummond Island. 16x12 sunroom & 24x40' pole barn. (05-177) **\$310,000**

DETOUR - 372' waterfront 3 BR, 3 bath Cape Cod home on Caribou Lake, Sandy beach. 60' of dock, 4 outbuildings. 12 acre parcel. (05-420) **\$348,000**

DETOUR - 3 BR home with stone fireplace, hardwood floors & appliances. 2 car garage, storage building, 2m/l acres of land. Home protection plan included. (05-823) **\$84,900**

NAUBINWAY - Lake Michigan home with 100' frontage, in floor radiant & baseboard heat, 2 fireplaces. Hiawatha Sportsman's Club memberships - approval required. (1651) **Reduced! \$340,000**

VACANT LAND

ST IGNACE - Desirable city lots! Both lots are 100x120 & have city water & sewer available. (92671) **Parcel A \$26,000 - Parcel C \$24,500**

ST IGNACE - (4) 40 acre lots with hardwoods! Great hunting. Power available. Access in place. (05-231,05-232,05-234,05-235) **\$48,000 & \$59,000 each**

ST IGNACE - 43 wooded acres on Simmons Rd. 1320' of road frontage. Great hunting area. Lots of hardwoods. Power & telephone available. Roadway in. (05-236) **\$67,000**

CEDARVILLE - Property has 349' of canal waterfront on wonderful Beavertail Point, which extends into Lake Huron. (05-174) **\$49,900**

SAULT STE MARIE - 6 acre island in St. Mary's River by Sugar Island Ferry & Sault Country Club Golf Course. Sand beach. Deep water. (05-813) **\$197,000**

TROUT LAKE - 100' of frontage on Little Trout Lake, part of the Birchshores Sub. All site & DEQ evaluations are done & corners are marked. (93584) **\$47,000**

COMMERCIAL

CEDARVILLE - Modular Home Park on 21 acres with utilities in place for 24 of the 45 sites as licensed. Water lines, sewer lines, electric, phone & electric lines installed. (05-386) **\$795,000**

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#337-05-0006 - ENGADINE - Nice 3 bedroom, 1 bath home in a country setting not far from town on 4 acres m/l. Hardwood floors throughout the first floor. Central air and Vac. The 2 car garage has a finished studio apartment for company or use as a rental. **\$154,900**

#337-05-0007 - ENGADINE - 4 bedroom, 3 bath log home on the Hiawatha Sportsman's Club with screened-in porch. Fireplace & hardwood floors. Access to 36,000 acres out the back door. Home is in excellent condition. Prior membership approval required. **\$189,000**

#337-05-0013 - ENGADINE - Nice 3 bedroom, 2 bath chalet with finished walk-out basement on the Hiawatha Sportsman's Club. First floor living. Panoramic view of River from living and dining area. Prior membership approval. **\$223,500**

#337-05-0026 - REXTON - Well kept & maintained 2 bedroom, 1 bath mobile home with 2 additions, new windows, roof, furnace, septic & carpet in the living room. Nice get-away place with State Land & Snowmobile Trails nearby. Comes partially furnished. Check this one out!! **\$42,000**

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