

You're the Boss; Sorting Out Health Costs

December 16, 2010 | New York Times Digital

A couple of weeks ago I received my renewal costs for our health insurance coverage. I'm now covering 11 out of 12 workers (one is on his wife's policy). The company — i.e. me — pays two-thirds of this cost, the employees pay the rest.

Our number of covered employees has varied, but for most of this year I've had 10 people enrolled, and the monthly cost to the company has been a little under \$5,000. Here are the monthly rates for for our policy, Keystone C3F4, since 2005:

As you can see, the price of the policies rose significantly (106 percent) from 2005 to 2010. While I heard lots of howling this summer about how "Obamacare" was going to make health insurance unaffordable, that doesn't seem to be the case for me. In fact, my 2011 rates are down 9 percent from 2010. Am I the only one whose rates have fallen this year?

Plus, it looks as though I may be eligible for the 35 percent tax credit on the insurance costs the company pays for 2010 and going forward, which would be a very nice savings. Since I'm not an accountant, I'm not sure I fully understand all of the implications of the law. But I spent some time reading the Internal Revenue Service's F.A.Q. , and it appears that the credit can only be applied against profits. If you are struggling, or growing, it's of no immediate help to you (but can be carried over and used against future profits). In addition, our average wages are very close to the \$50,000 limit. I won't be able to do an accurate eligibility calculation until the year is done and I have totaled all of my wage payments.

My health insurance costs will go down next year with or without the credit, but prices have been skyrocketing for a long time. Health insurance is now my company's second largest fixed cost, after rent and before utilities. If it continues to rise as it has so far this century, it will double every five years.

My first reaction, like everyone else's, is outrage. Why does the cost go up so fast? What am I getting for the extra money? What will I do when the cost doubles again, and then again? There is another way to look at it, though. Maybe our health care system is actually a triumph of American business acumen. We seem to have developed an industry that cannot be prevented from growing, that is immune to replacement from cheap imports, and whose jobs can't be outsourced. If we were talking about the auto industry, we would all be pretty darn proud. And of course health care isn't the only thing that I'm spending more on. My information technology budget was zero when I started business, and now I'm on a constant cycle of payments for software upgrades and maintenance and new hardware.

Of course, rising health care costs are a little different from other expenses. First, most of what that money buys is invisible to me. I imagine the actual care gets better all the time, and if I were in a hospital, I might see amazing things. But because I don't get sick much, the most

visible evidence of all of that money is the palace that one of our local surgeons is building up the road from my house. Second, paying more for insurance doesn't help me sell or build more product. When I buy new computers or software, the upgrades contribute to our efficiency and pay for themselves.

That said, there is one thing that makes me feel better about spiraling health costs: all the orders I am getting from health care companies. So far this year they have totaled \$146,355 out of \$1,564,498 in sales — that's 9.35 percent. My insurance bill is 4.6 percent of my revenues. So I'm running ahead!

Will my insurance costs ever stop rising over the long term? My understanding of the health care overhaul is that it will allow me to stop buying insurance for my employees in return for a penalty payment. I may well take that option when it's available — if the market for individual insurance appears as promised. I don't particularly want to be involved with my employees' private spending decisions any more than I have to. I have bought them insurance in the past only because it fell on me to do so. We'll see how this all plays out.

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