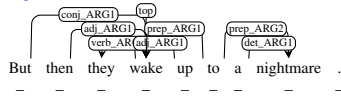


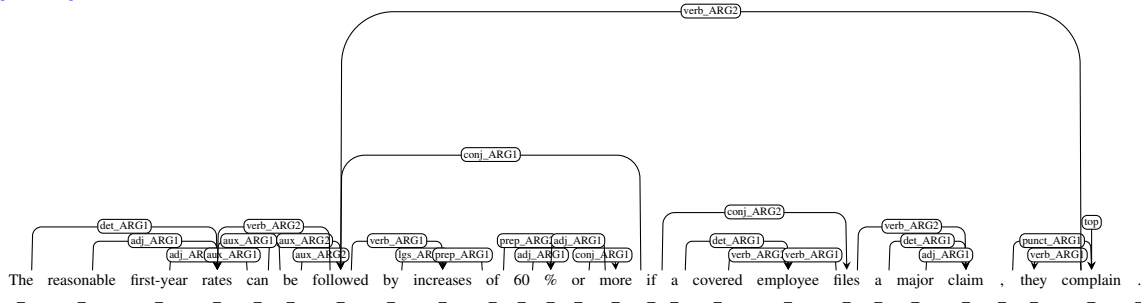
Document 0518

[20518002]



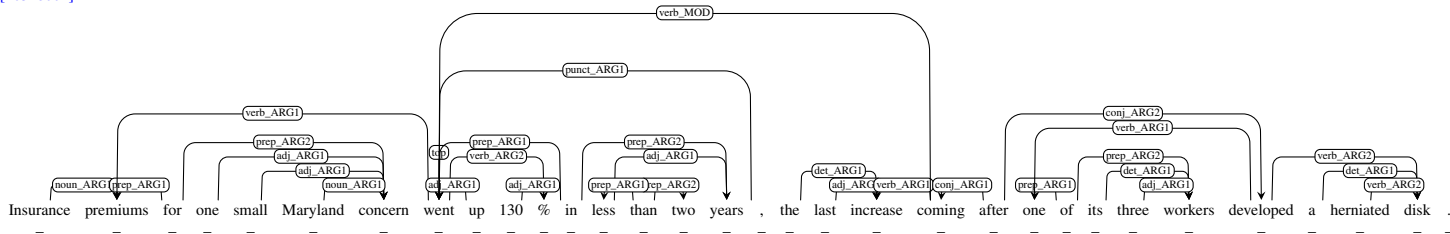
But then they wake up to a nightmare .

[20518003]



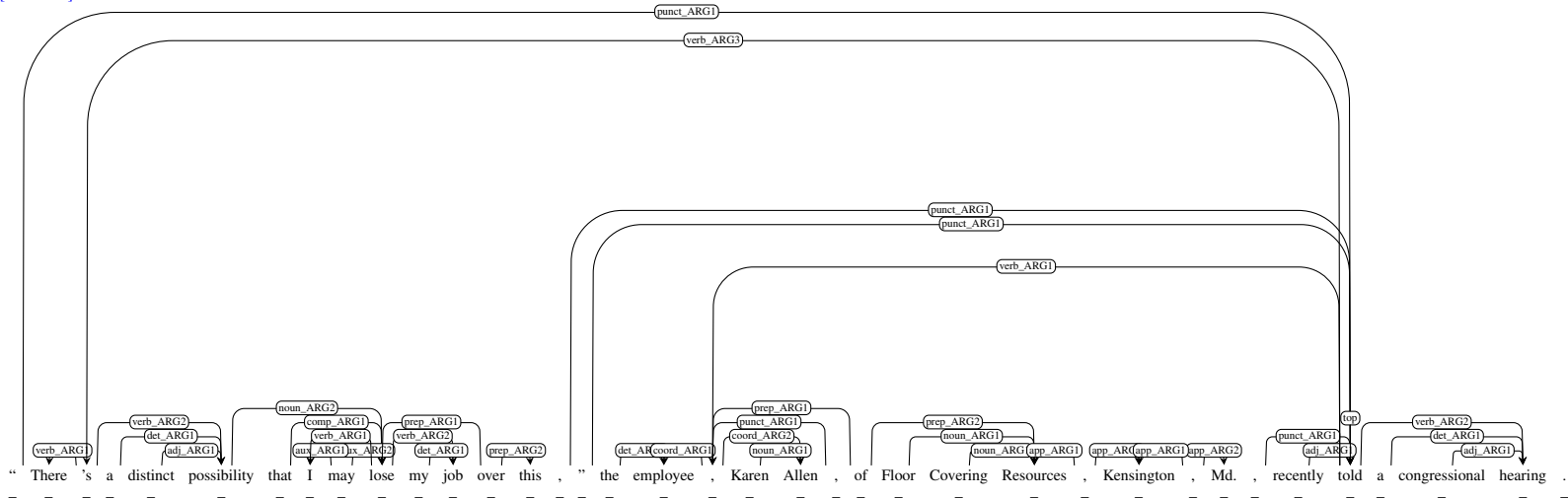
The reasonable first-year rates can be followed by increases of 60 % or more if a covered employee files a major claim , they complain .

[20518004]



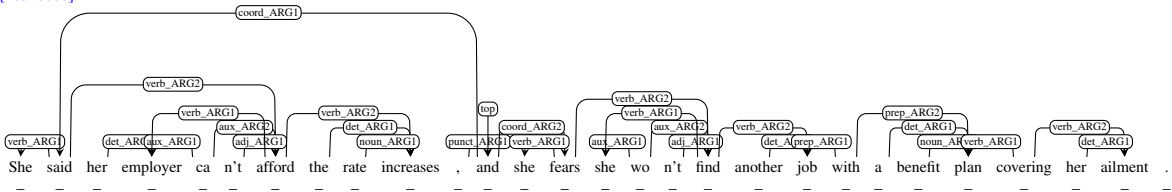
Insurance premiums for one small Maryland concern went up 130 % in less than two years , the last increase coming after one of its three workers developed a herniated disk .

[20518005]



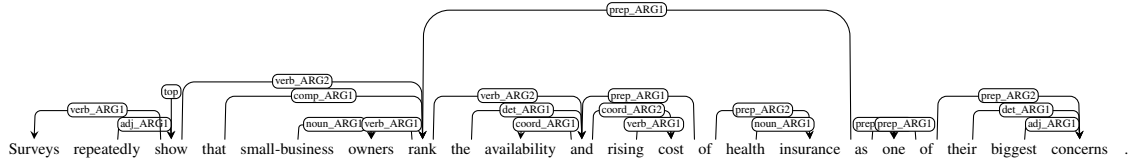
" There 's a distinct possibility that I may lose my job over this , " the employee , Karen Allen , of Floor Covering Resources , Kensington , Md. , recently told a congressional hearing .

[20518006]



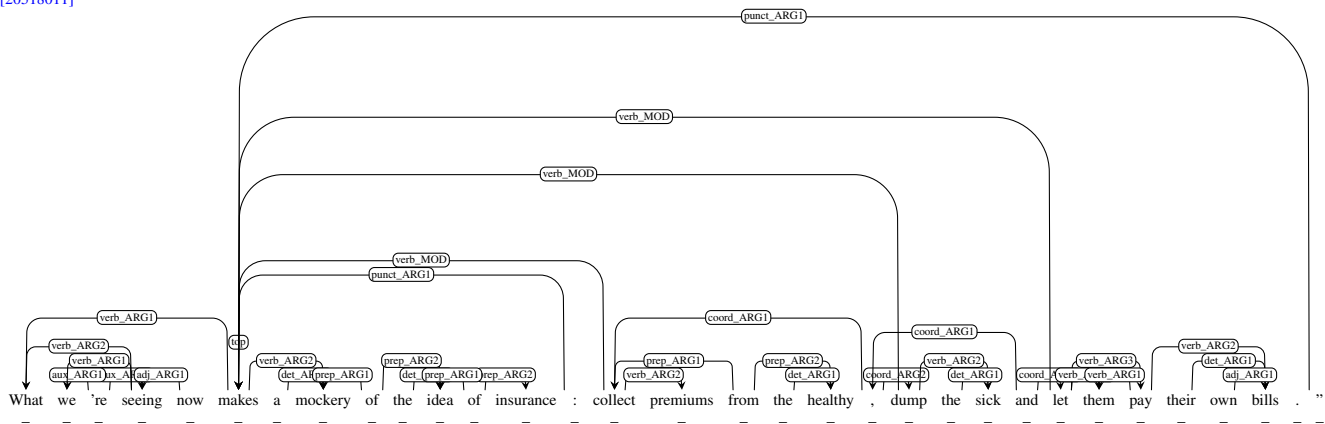
She said her employer ca n't afford the rate increases , and she fears she wo n't find another job with a benefit plan covering her ailment .

[20518008]



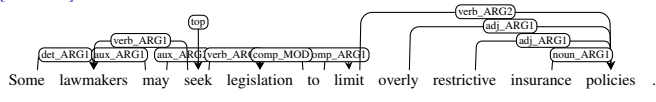
Surveys repeatedly show that small-business owners rank the availability and rising cost of health insurance as one of their biggest concerns .

[20518011]



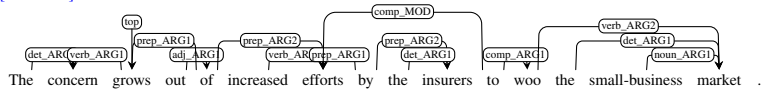
What we 're seeing now makes a mockery of the idea of insurance : collect premiums from the healthy , dump the sick and let them pay their own bills .

[20518012]



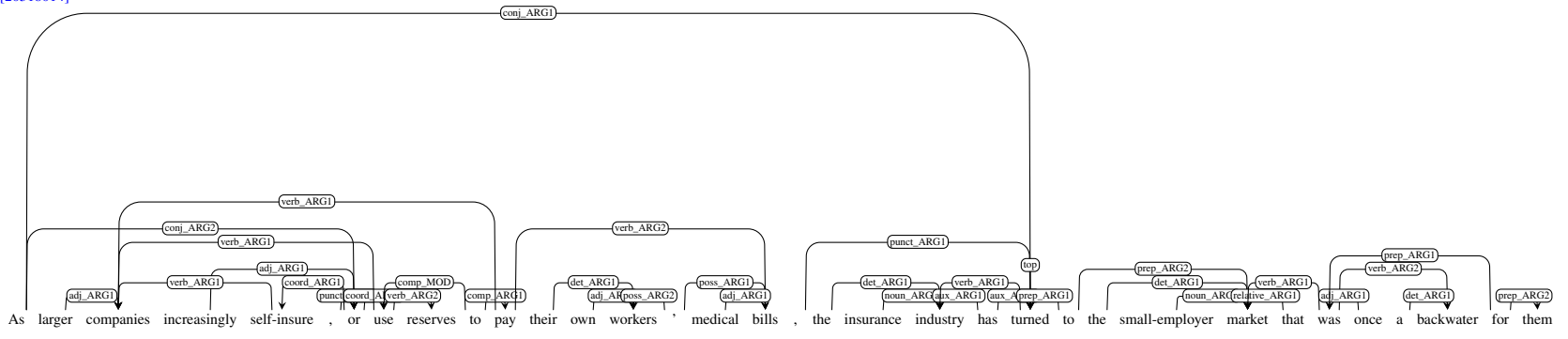
Some lawmakers may seek legislation to limit overly restrictive insurance policies .

[20518013]



The concern grows out of increased efforts by the insurers to woo the small-business market .

[20518014]



As larger companies increasingly self-insure , or use reserves to pay their own workers ' medical bills , the insurance industry has turned to the small-employer market that was once a backwater for them .

[20518015]

Insurance companies will offer a good rate if no one is sick , but it 's a roll of the dice . " says Rosemary Heinhold of the Small Business Service Bureau , a group representing 35,000 small businesses nationwide .

[20518018]

In addition , the group says some of its member companies have been denied insurance because individual workers had medical problems that ranged from a mild cardiac condition to psychological counseling after a divorce , hemorrhoids and overweight .

[20518019]

The Health Insurance Association of America , an insurers ' trade group , acknowledges that stiff competition among its members to insure businesses likely to be good risks during the first year of coverage has aggravated the problem in the small-business market .

[20518020]

But it says that rapid rate increases are directly tied to the soaring cost of health care .

[20518021]

Some business analysts blame the problem on tough competition in the insurance market .

[20518022]

They say insurance companies use policies aimed at excluding bad risks because their competitors do .

[20518023]

But the general practice makes it more difficult to combine small groups of people into larger groups , thus spreading the risk over a larger base of premiums .

[20518024]

" I 'm not accusing insurers of dereliction of duty , " Robert Patricelli of the U.S. Chamber of Commerce told Mr. Waxman 's panel .

[20518025]

" You ca n't ask one carrier to underwrite on social grounds when that might destroy it in the marketplace . "

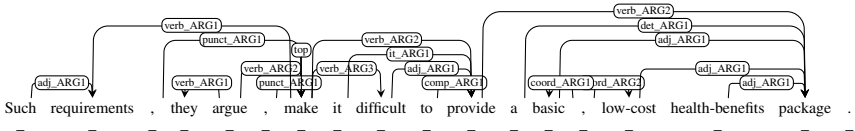
[20518026]

Rep. Waxman and Democratic Sen. Edward Kennedy of Massachusetts have proposed regulation to deal with the problem .

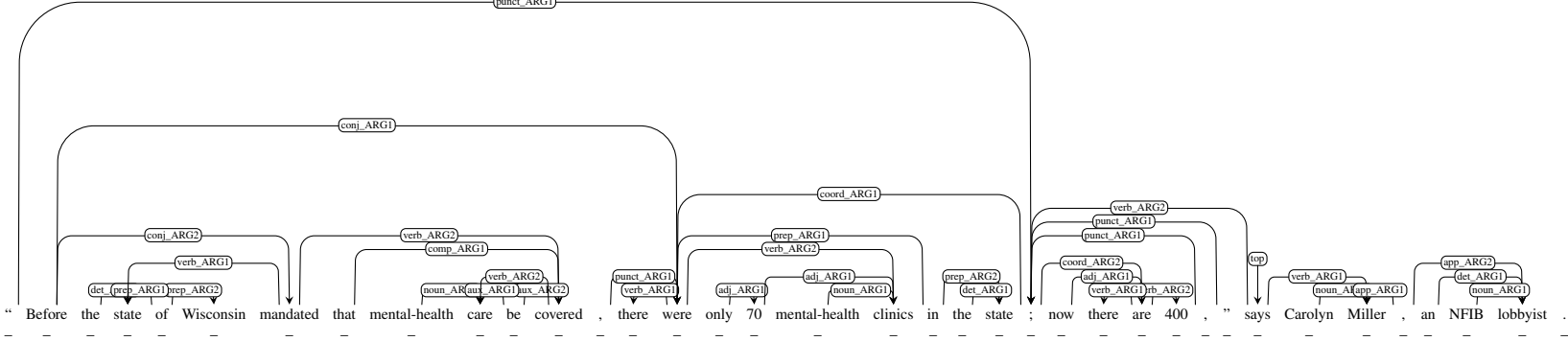
[20518029]

But first on the list of priorities , says the National Federation of Independent Business , is to prohibit state laws requiring the inclusion of specialty items , such as psychiatric care , in basic health plans .

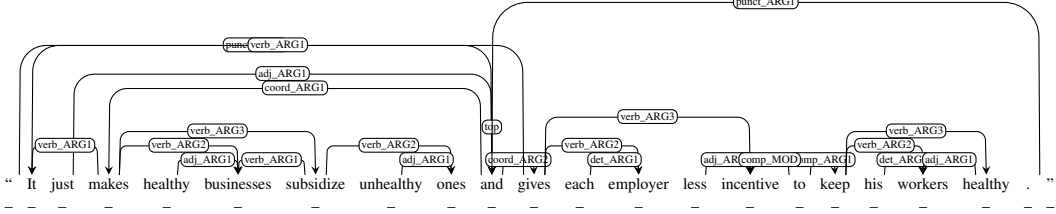
[20518030]



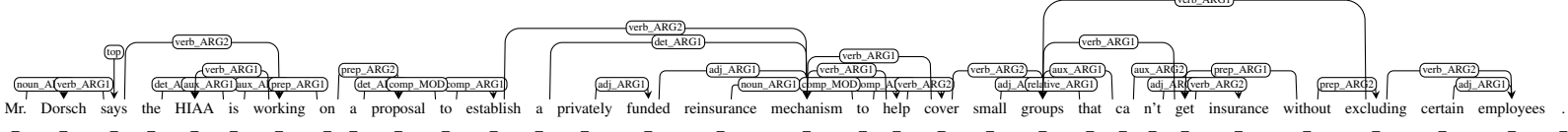
[20518031]



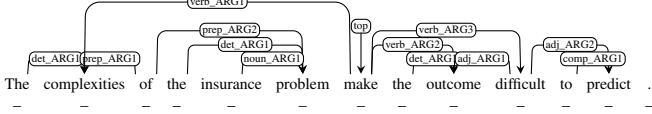
[20518034]



[20518035]



[20518036]



[20518037]

