

HELPING THE BOTTOM LINE

Health Reform and Small Business

Introduction

Across the country, small businesses are struggling as the cost of health care continues to skyrocket. Americans who build and run the millions of small companies around this country have seen insurance costs consume a greater share of their payroll. High costs are making it impossible for many small businesses to provide insurance to their employees. *Helping the Bottom Line: Health Reform and Small Business*, provides important information on how the high cost of health care burdens small businesses, weakens our economy and leaves millions of Americans without the affordable health care they need and deserve.

Small Businesses Struggle to Provide Health Coverage

A Large Fraction of Uninsured Workers are in Small Businesses: Nearly one-third of the uninsured – 13 million people – are employees of firms with less than 100 workers.¹

Fewer Small Businesses Are Offering Insurance: From 2000 to 2007, the proportion of non-elderly Americans covered by employer-based health insurance fell from 66% to 61%.² Much of this decline stems from small business. The percentage of small businesses offering coverage dropped from 68% to 59%, while large firms held stable at 99%.³

Workers Not Offered Coverage Are At Great Risk: Half of workers in small firms that do not offer health benefits are uninsured. About a third of such workers in firms with fewer than 50 employees obtain insurance through a spouse.⁴

The Burden of Rising Health Care Costs

Cost is the Barrier: The driving force behind the erosion of health coverage among small businesses is cost. In one national survey, nearly three-quarters of small businesses that

Small Business Owners IN THEIR OWN WORDS

“Right now, the cost of health insurance inhibits our company's ability to grow because we are unable to provide health insurance to our employees. We want to keep our people because they are good people. However, the best people want benefits that right now we cannot afford to provide because of the high cost of health insurance premiums.”

- Rafael, small-business owner in Romulus, MI

did not offer benefits cited high premiums as the reason.⁵ One reason small businesses feel this pinch is that they pay more on average for administrative services such as marketing, enrollment, and premium collection.⁶

Disrupts and Diminishes Coverage: In the past two years, more than half of small businesses that offered coverage reported switching to plans with higher out-of-pocket costs in response to rising premiums. Another third switched to a plan that covered fewer services, and 12% dropped coverage entirely.⁷

Drain on Payroll: Among small businesses that offer coverage, 40% report spending more than 10% of their payroll on health care costs.⁸

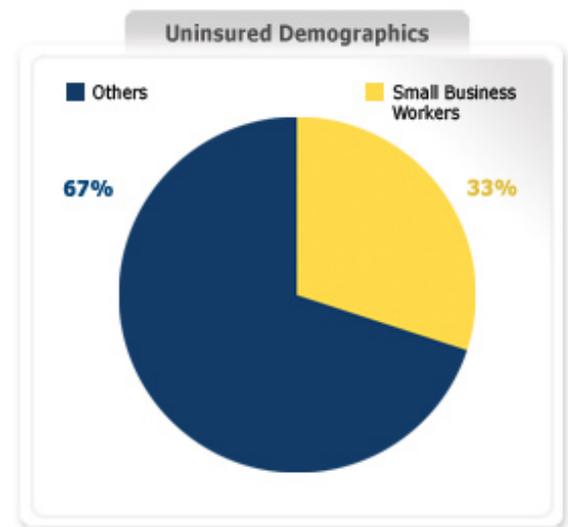
Limits Business Growth: Forty percent of small businesses said that health costs have had a negative impact on other parts of their business (for example, contributing to high employee turnover or preventing business growth).⁹

Providing Health Benefits is “The Right Thing to Do”

Valued by Employers and Employees: Small employers state that offering benefits helps with employee recruitment and retention, increases productivity, and is the “right thing to do.”¹⁰

Improves Productivity: Small firms are often hit harder when workers go on sick leave, because they cannot afford to maintain a “reserve pool” of workers to replace those who are absent.¹¹ Indeed, nearly half of small businesses in a recent survey said that their business would be more productive if they had health coverage for themselves and their employees.¹²

Reform as a Top Priority for Small Businesses: Nearly half of small business owners in a recent survey said that ‘making health care more affordable’ is the idea Washington should address first.¹³ The National Small Business Association adds, “...relief from escalating health insurance premiums... can only be achieved through a broad reform of the health care system with a goal of universal coverage, focus on individual responsibility and empowerment, the creation of the right market-based incentives, and a relentless focus on improving quality.”¹⁴



Source¹

Small Business Owners IN THEIR OWN WORDS

“We need the government to advocate for the small business owners so we can afford healthcare for our families and employees. If we are unable to offer health care benefits, we are unable to attract or retain good employees. Currently, due to the fact that I cannot afford benefits for my employees, I have none. We are not asking for a government handout, we are simply asking that someone doesn't keep moving the finish line.”

- Curtis, small business owner in Urbandale, IA

Sources

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