

Small Business and the Fate of Health Care Reform

Reno Gazette-Journal / RGJ.COM

Tuesday, November 10, 2009

If the wailing and gnashing of teeth at the Chamber of Commerce health care reform forum last month are any indication, reform efforts cannot necessarily count on support from the business community, particularly owners of small businesses.

To be fair, any reading of the reform legislation being considered by Congress provides little comfort to small business owners already struggling to provide health insurance for their employees as the annual corporate renewal season approaches.

On one hand, proposed legislation addresses factors that make purchasing insurance particularly expensive for small firms, such as insufficient size to offer attractive pools to potential insurers, high administrative costs, and little competition in the insurers' market.

On the other hand, the major bills being considered by Congress contain a dizzying combination of premium subsidies for workers, tax breaks for owners, co-pays and other cost-sharing arrangements tiered by age and household income, incentives and penalties, as well as exemptions for some businesses and mandates for many others – elements which will undoubtedly change as competing interests weigh in on the final crafting of legislation this fall.

No sane business owner, then, could be faulted for wondering how any of these proposals will make health insurance more affordable, much less how reform will ultimately impact their bottom line or existence amidst a recession with no clear end in sight.

The concerns of small business owners, however, must be distinguished from those who work for small firms.

While a majority of American workers get health insurance through employer-sponsored plans, employment based coverage has been declining for the past decade. Moreover, small businesses offer health insurance to their workers at much lower rates than other employers – a feature of the US economy responsible for much of the erosion in employer sponsored insurance since 2000.

Data from the Commonwealth Fund's Biennial Health Insurance Survey highlight the major features of employment-based health insurance for workers in small businesses.

- Employees of small businesses – defined in this report as those firms with less than 50 employees as compared to firms with 50 or more employees – and those with low

wages within small businesses are the least likely to have or be offered coverage through their employer. Only 25% of employees in small businesses had coverage through their own employers versus 74% of workers in large firms.

- Many workers in small businesses are simply not offered coverage through their employer or are ineligible for their employer's plan because eligibility is limited to those who have worked for a minimum number of months or to those who are full-time workers. Only 43% of small firms offer plans as compared to 93% of large firms. And, 36% of workers in small firms are even eligible for employer plans versus 88% of those working in large firms.
- Limited insurance options for small-business employees exist outside the employer-sponsored system – few low-income workers qualify for public insurance programs and those seeking individual policies are simply priced out of the market. For example, one-third of small business workers without coverage were either turned down, charged a higher price because of their health status, or had a specific problem excluded from coverage.
- As a share of income, out-of-pocket costs and the cost of employee contributions for health insurance are greater for those in small firms – particularly, low-income and part-time workers of such firms. For example, 36% of workers in small businesses with insurance spend 10% or more of their income on out-of-pocket medical costs and premiums.
- Finally, insurance benefits are typically less comprehensive for employees in small businesses – as compared to large firms, plans offered by small business are more likely to possess coverage limits on what will be paid for medical care and less likely to have prescription drug coverage.

At the end of the day, the most health-consequential fact of life for any worker is having a job.

Thus, if health care reform is to accomplish its ambitious goals, lawmakers will need to demonstrate that coverage expansion for employees of small businesses doesn't imperil the very existence and viability of small business enterprises that provide paychecks and stability for the majority workers in Nevada and communities across the country.

This, of course, begs the larger question and subject of my next column: Why on earth are we building health care reform on the already shaky edifice of our current employment-based health insurance system?

The Commonwealth Fund survey and other timely health care policy analysis can be found at <http://www.commonwealthfund.org/>.

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