

# SMALL BUSINESS'S INTRODUCTION TO THE AFFORDABLE CARE ACT PART III

November 2015

# EXECUTIVE SUMMARY

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- As of July 1, 2015, employers who offer reimbursement for employees' individual market health insurance can be fined \$100 per day, per employee or \$36,500 per employee, per year. Currently, 16 percent of small employers are in violation of the new rule and are subject to the steep fines. Another 20 percent of small employers are considering or seriously considering offering the prohibited benefit.
- The healthcare law has not provided any insurance premium cost relief for most small offering employers. In fact, 63 percent of offering small employers experienced an increase in their per employee premium cost between mid-2014 and mid-2015. Only 8 percent reported an average decrease in insurance premiums and 27 percent saw no change.
- The cost of health insurance continues to be the principal reason that small employers do not offer the benefit. Of the 60 percent of small employers who do not offer health insurance, 52 percent say that cost is the reason they do not.
- Fourteen percent accessed the individual exchange marketplace website and only 3 percent were interested in the SHOP exchange marketplace. Nine percent visited the website for both individual and business insurance. However, the majority (66%) of owners were not interested in either, the same as last year (Q#76).
- About 41 percent of small employers are personally covered by an individual market health insurance plan, up 11 percentage points from 2013. The percent of owners covered through their spouse or the business (17% and 33% respectively) has remained relatively stable in that time frame (Q#6).
- Twenty-eight percent of owners personally covered by an individual market health insurance plan purchased it through the government facilitated exchange. Of those who purchased in the exchange, about 57 percent received a taxpayer subsidy that reduced their overall premium cost. About 42 percent did not receive a reduced rate, and paid for the entire amount of the health insurance premium (Q#8).
- About 80 percent of small employers are familiar with the law. Of those who are familiar, 29 percent consider themselves very familiar with it and 51 percent somewhat familiar (Q#72). The level of familiarity does not differ based on whether the employer offers health insurance or not, but does by firm size.
- The percent of small employers offering health insurance changed little over the last year with 41 percent offering the benefit, a 1 point increase from the 2014 survey but 5 percentage points lower than in 2013 (Q#17).
- The rising cost of health insurance requires small business owners to decide how best to absorb those costs. The most frequent action taken by owners (54%) experiencing higher health insurance costs was to increase productivity and efficiency. The second most common action was to accept lower profits. (Q#50) Fifty-two percent of owners paid for higher costs through lower profits.

# SMALL BUSINESS'S INTRODUCTION TO THE AFFORDABLE CARE ACT, PART III

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Five years after the enactment of the Patient Protection and Affordable Care Act (ACA), small business owners are still adjusting to the new health insurance landscape. The continuous shifting of the ACA's implementation timeline creates plenty of confusion for owners due to delays and changes in the rules that affect small businesses. But key concerns for small business owners, those offering and not, are the mandates and taxes that affect their ability to afford and offer health insurance. The cost of health insurance is the most critical concern for small business owners in operating their business and many of the law's provisions exacerbate this problem by increasing insurance costs and mandating some non-offering firms to offer or pay a penalty.<sup>1</sup>

In 2015, the employer mandate began being phased-in, requiring firms with 100 or more full-time equivalent (FTE) employees to offer affordable health insurance to 70 percent of full-time employees or pay a penalty. In 2016, the employer mandate will be fully implemented, requiring firms with 50 or more FTEs to offer affordable health insurance to 95 percent of full-time employees or pay a penalty. Proponents of the mandate believe that businesses of a certain size are in good position to offer health insurance regardless of their economic circumstances. However, size is not a perfect predictor of financial success or the economic ability to bear the cost of insurance. Business structures are more nuanced and factors including profitability, seasonality, and employee turnover also play large roles in determining a firm's ability to offer. But regardless of those factors, non-offering employers that fall under the mandate must make the difficult decision of offering health insurance or paying the penalty.

In addition, the law includes new taxes and minimum coverage requirements that increase the cost of health insurance plans for many offering businesses. One of the law's more significant tax provisions is the new health insurance tax. The health insurance tax is assessed to health insurance companies and is then passed on to consumers of fully-funded insurance plans through higher premiums, plans that most small business owners purchase for themselves and their employees. The tax increased from \$8 billion in 2014 to \$11.3 billion in 2015. The tax is scheduled to increase each year, reaching \$18 billion in 2024, with a total cumulative cost of \$159 billion between 2014 and 2024. Each year the tax will add cost pressures on those plans purchased by most small business owners, forcing owners to make difficult decisions on how to absorb those additional costs.

The government facilitated small business health insurance exchange (SHOP exchange) is up and running in most states but small employers do not seem interested for the most part.<sup>2</sup> Just over 10,000 small employers have purchased health insurance through the exchange covering about 85,000 employees, far short of previous estimates.<sup>3</sup> The individual exchange appears to be slightly more popular but only for those owners who have an individual market plan and qualify for an advanced

<sup>1</sup> Wade, Holly (2012). *Small Business Problems and Priorities*. NFIB Research Foundation: Washington, DC.

<sup>2</sup> <http://blog.cms.gov/2015/07/02/update-on-shop-marketplaces-for-small-businesses/>

<sup>3</sup> The CBO estimated the SHOP exchange would cover five million worker by 2019.

<http://www.cbo.gov/ftpdocs/113xx/doc11379/AmendReconProp.pdf>

premium tax credit on their premiums. Otherwise, owners continue to manage yearly cost increases that outpace earnings and inflation through adjusting components of their insurance plan and cost-sharing arrangements, switching health insurers, and/or discontinuing their offer of health insurance.

On a positive note, Congress and the President recently reversed a mandatory federal expansion of the small group insurance market where businesses with up to 50 employees purchase insurance plans. The mandatory expansion that was scheduled for January 1, 2016 included businesses with up to 100 employees. The expanded definition would have required these newly eligible businesses to purchase insurance plans subject to mandatory coverage of 10 essential health benefits, community rating, rigid actuarial categories, and limited parameters for rate adjustments. Now, instead of a mandatory expansion, states are allowed the option to expand the definition or keep it unchanged to those with 50 or fewer employees.

Still more changes are scheduled in the coming years, including the implementation of the “Cadillac Tax”. In 2018, the new tax will levy a 40 percent excise tax on insurance plans with yearly premiums exceeding \$10,200 for individuals or \$27,500 for family plans. Small businesses already pay more for equivalent insurance plans than large businesses and this tax will only add to the cost burden and cost disparity they already experience.<sup>4</sup> The Cadillac tax also mandates a host of new calculation and reporting requirements that will increase the cost of offering health insurance for small employers.<sup>5</sup> The implementation of the tax will saddle small businesses with higher premium and compliance costs for those offering and a higher cost barrier for those who do not.

The ACA’s influence on the health insurance industry and employer-sponsored health insurance is far from settled. The following is the third report of a three year longitudinal study on small businesses and the ACA. This survey highlights some of the shifts in the marketplace as they affect small employers and their employees. Subsequent surveys will offer more insight into the long term trends of how small employers adjust to the new realities of offering the benefit and insuring themselves.

### **Familiarity with ACA**

The healthcare law is in its fifth year of existence and each year a few more small employers become familiar with how it affects them and their business. About 80 percent of small employers are familiar with the law. Of those who are familiar, 29 percent consider themselves very familiar with it and 51 percent somewhat familiar (Q#72). The level of familiarity does not differ based on whether the employer offers health insurance or not, but does by firm size. Self-proclaimed familiarity increases with the number of employees in the business. Those most affected by the law, larger small firms, claim greater familiarity of the law than those with fewer employees. For the smallest employer businesses, 78 percent of owners with 2 to 9 employees are familiar with the law compared to 92 percent of owners with 50 to 99 employees.

Table #1

	<b>Familiarity with the Healthcare Law</b>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Very familiar	17%	24%	29%
Somewhat familiar	49	54	51
Not too familiar	21	15	14
Not at all familiar	13	7	7

<sup>4</sup> Commonwealth Fund, *Benefit and Premiums in Job-Based Insurance*, May 2006.

<sup>5</sup> <https://www.irs.gov/pub/irs-drop/n-15-52.pdf>

Over the last two years, the level of familiarity among small employers has increased especially in the “very familiar” category. And now relatively few small employers claim to know nothing about the law compared to 2013.

### **Information Sources and Satisfaction**

Small employers are learning about the healthcare law and how it affects them from a variety of news sources. In 2013, 42 percent of owners obtained most of their information about the healthcare law through the general media. Today, the general media is the primary source for just 22 percent of small employers. More small employers are getting their information from sources within the insurance or medical community including their insurance carrier (21%), healthcare provider (13%), and business advisor (15%). Trade associations or business groups are the main source for about 15 percent of small employers (Q#73).

By firm size, owners with fewer employees rely more heavily on the general media for their information than those in the larger firm size categories. The general media is the primary information source for 23 percent of owners with 2 to 9 employees compared to 7 percent for those with 50 to 99 employees.

And for the most part, the majority of small employers appear satisfied with the information they receive. Three quarters of small employers are satisfied compared to 25 percent who are not. The current level of satisfaction is a substantial improvement from 2013 when 54 percent of small employers were satisfied with the information they received and 45 percent were not (Q#75).

### **HealthCare.gov**

One of the most advertised features of the healthcare law was the creation of government facilitated health insurance marketplaces, or exchanges. Each state has its own exchange that is operated in one of three ways: by the state, the federal government, or a state/federal partnership. And each exchange is divided into two marketplaces, one for individuals and one for small employers. Business owners can check out participating insurance plans through the website HealthCare.gov for themselves or, if they offer insurance, for their employees and, if interested, purchase the benefit during open enrollment.

However, it appears that small employers are generally not interested in the exchange marketplaces as most have not visited the website. And interest has not increased much over the last two years. About the same percentage of small employers visited the website this year as they did last year with most interested in individual market insurance. Fourteen percent accessed the individual exchange and only 3 percent were interested in the SHOP exchange. Nine percent visited the website for both individual and business insurance. However, the majority (66%) of owners were not interested in either, the same as last year (Q#76).

One goal of the healthcare law was to introduce competition in the health insurance industry. However, it appears to have accomplished the opposite effect of consolidation. Just under 10 percent of small employers observe increased competition by health insurance carriers for their business. A quarter of small employers perceive there to be less competition. The remainder have experience no change in the amount of competition within the health insurance industry in competing for their business (Q#77). Recent news headlines about the merging of major health insurance carriers and failed ACA insurance co-ops likely contribute to the feelings of reduced competition.

### **Owner's Personal Health Insurance**

Most small employers obtain their personal health insurance coverage in one of three ways: through their business, their spouse or an individual market plan. About 41 percent of small employers are personally covered by an individual market health insurance plan, up 11 percentage points from 2013. The percent of owners covered through their spouse or the business (17% and 34% respectively) has remained relatively stable in that time frame (Q#6). The increase in owners covered by individual market plans is mostly due to a shift from those previously uninsured to insured. Currently, 6 percent of small employers are without health insurance compared to 15 percent two years ago. The drop in the number of uninsured is likely due to both the IRS enforcement of the individual mandate as of January 1, 2014 and the availability of taxpayer subsidies for those who qualified through the individual health insurance exchanges.

The individual health insurance exchanges experienced a bumpy roll-out in providing a user friendly platform to compare and purchase health insurance plans. But while most of the major glitches have been resolved, most small employers continue to purchase their individual market insurance from the private market outside of the individual exchange. Of those who are covered by an individual market plan, 58 percent purchased their insurance in the private market outside of the individual exchange compared to 28 percent who purchased through health insurance exchange (Q#7). In 2014, 19 percent of owners with an individual market purchased plans bought it through the exchange. Over half (57%) of those purchasing in the individual exchange received a taxpayer subsidy that reduced their overall premium cost. About 42 percent did not receive a reduced rate, and paid for the entire amount of the health insurance premium (Q#8). The way subsidies work now is that purchasers must estimate their future income for the upcoming year to determine whether or not they are eligible for a subsidy, and if so, how much they can receive. But, if the purchaser underestimates their income, they must pay back a portion of the difference when they file their taxes the following year. And in fact, about 10 percent of those who received a subsidy in 2014 had to pay some, if not all, of it back in 2015 (Q#9).

Another complication for small employers is the continued restructuring of health insurance plans. The ACA requires fully-insured plans to comply with a list of mandated healthcare services among other provisions, requiring insurance companies to adjust their product selection available to the small group market. One result of these adjustments is the cancellation of insurance plans held by many small employers. About 10 percent of small employers covered through the individual market had their plan terminated sometime between mid-2014 and mid-2015, about the same percent as from mid-2013 to mid-2014 (Q#10). The ACA provided some accommodations for non-compliant plans but only under strict guidelines known as "grandfathered plans." Through regulations, the Administration later allowed non-compliant plans to renew, but not newly enroll, individuals and small businesses for up to three years, but allowed the final decision whether to "grandmother" health plans up to state policy makers.

The offering of employer-sponsored health insurance largely determines the owner's own choice of health insurance coverage. Nearly three quarters of owners who offer health insurance to their employees also participate in the business's insurance plan, 15 percent are insured through an individual market plan. Of those not offering health insurance, almost 60 percent are insured through an individual market plan and 23 percent through their spouse's health insurance plan. Ten percent of the non-offering group remain uninsured.



### Reimbursing Employees' Individual Market Health Insurance

As of July 1, 2015, employers who offer reimbursement for employees' individual market health insurance can be fined \$100 per day, per employee or \$36,500 per employee, per year.<sup>6</sup> In contrast, businesses in violation of the employer mandate pay a fine of \$2,000 per employee, per year. Unfortunately, many employers don't know about the rule change and continue to offer financial reimbursements to their employees for individual market health insurance as a benefit. Some employers will likely find out in the form of an audit from the IRS requiring payment of excessive penalties. Currently, 16 percent of small employers are in violation of the new rule and are subject to the steep fines (Q#13).

Another 20 percent of small employers are considering or seriously considering offering the prohibited benefit (Q#15).

Table #2

Percent of Small Employers Offering Tax Preferred Reimbursement					
Year	2-9 employees	10-19 employees	20-49 employees	50-99 employees	Total
2015	14%	23%	19%	19%	16%
2014	17	21	23	20	18
2013	15	11	7	0	14

And while accountants and CPAs are a first line of defense for those owners who might actively pursue this option, they are also often not aware of the rule change, as it was issued as sub-regulatory guidance and not formal regulation. Of those offering the benefit, the most common structure is offering a flat amount to help employees pay for their health insurance. Almost 50 percent of owners offer a flat amount, and 29 percent offer a percent of the employee's health insurance premium cost. Of those considering offering the benefit, the preferred method of support would also be a flat amount per employee (Q#14).

### Employer Sponsored Health Insurance

#### Offering and Non-Offering

The percent of small employers offering health insurance changed little over the last year with 41 percent offering the benefit, a 1 point increase from the 2014 survey (Q#17). Eighty-eight percent of small offering employers also offered the benefit last year. Seven percent started offering health insurance in the last 12 months (Q#45). The propensity of employers offering health insurance is strongly related to firm size. Table #3 shows the breakout of offer rates by four firm size categories over the last three years. Larger firms are far more likely to offer health insurance to their employees than smaller ones.

Table #3

Percent of Small Employers Offering Health Insurance by Year					
Currently Offer	2-9 employees	10-19 employees	20-49 employees	50-99 employees	Total
2015	31%	62%	77%	92%	41%
2014	28	66	78	96	40
2013	34	74	80	92	46

<sup>6</sup> <https://www.irs.gov/pub/irs-drop/n-13-54.pdf> and <https://www.irs.gov/pub/irs-drop/n-15-17.pdf>

Offer rates also vary by industry. Small employers in manufacturing, information services, finance, and insurance industries are more likely to offer health insurance than those in retail and accommodation/food services industry.

#### Reasons for Non-offering

One of the most commonly asked questions of non-offering small employers is: Why do small employers not offer health insurance to their employees? The response is always the same - the cost of providing health insurance is too expensive. The results from this survey are no different. Of the 60 percent of small employers who do not offer health insurance, 52 percent say that cost is the reason they do not. And unfortunately, the cost barrier for those not offering continues to grow as average yearly premium increases outpace wages and inflation. The second most cited reason for not offering is the ability of employees to purchase insurance on their own including in the government-facilitated individual exchange marketplace. The percent of owners selecting this reason increased 6 points from last year. More small employers perceive the individual market as a viable option for their employees. About 1 in 10 small non-offering employers (9%) do not have enough interest from their employees to offer the benefit. And almost an equal number (8%) claim that revenues are too uncertain to offer (Q#18).

#### Offering

Of those who do offer health insurance, most small employers do not go it alone in navigating carriers or plan types but instead use an insurance agent or broker. Sixty-two percent use this service compared to 34 percent who do not (Q#20). About 23 percent of those using an insurance broker or agent looked into purchasing through the government SHOP exchange (Q#21). The much advertised small business health insurance tax credit was supposed to be the main draw for small businesses to purchase through the SHOP exchange. Supporters of the healthcare law sold the tax credit as an incentive for non-offering firms to offer and helpful tool to reduce costs for those offering. However, the credit has effectively turned into a windfall for those already offering who have the resources to determine if they qualify and then file for the credit. The restrictive and complicated tax credit did not deliver as promised and is not the incentive supporters were looking for in driving small employers to the SHOP exchange. And as of 2014, the small business tax credit is only available to qualifying small business owners for two consecutive taxable years. Small business owners regard health insurance as a long term benefit with few discontinuing the benefit after they begin offering.

Small offering employers generally extend the benefit exclusively to full-time employees. About 84 percent fall into this category compared to 15 percent who offer health insurance to both their full and part-time employees (Q#22).

Most small offering firms (80%) offer one insurance plan to their employees. The likelihood of firms offering more than one insurance plan is largely determined by firm size. Seventeen percent of firms with 2 to 9 employees offer more than one plan compared to 28 percent of firms with 50 to 99 employees (Q#24). The most popular plan type offered is a Preferred Provider Organization (PPO). Thirty-eight percent of small offering employers offer a PPO. The second most popular plan type offered is an HMO (25%) followed by a high-deductible PPO plan which is offered by 23 percent of offering employers (Q#23). Last year's 7 percentage point decline from 2013 to 2014 of those offering HMO plans appears to have been an anomaly as the percent of those offering an HMO is similar to the 2013 survey results. The type of insurance plan offered over the last two years has changed little in the small group market. The healthcare law also limits the type of plans available for small employers to offer



their employees. Small offering employers have fewer options in plan design as the law requires insurance plans to cover a broad list benefit categories, referred to as Essential Health Benefits.<sup>7</sup>

The health insurance industry continues to adjust insurance plans in the small group market and some of those changes have caused small offering employers to have their plan canceled. Thankfully, the frequency of terminated or canceled plans is not as pervasive in the small group market as it is for individual plans. About 4 percent of employer-sponsored plans were terminated last year compared to 10 percent with individual plans (Q#25). Neither the 2013 and 2014 surveys asked this question so it is not clear whether the termination of business plans was a more prevalent problem two years ago or if most plans in the small group market were already compliant with the new ACA requirements. An uptick of small group market plan cancellations could occur in future years as the “grandmother” plan extensions expire.<sup>8</sup>

Businesses can generally choose between one of two ways to finance the offering of health insurance. The two types of financing options are fully-insured and self-insured health insurance plans. Most small businesses opt to purchase fully-insured plans where all participants’ medical claims are paid for by the insurance company. Larger companies are more likely to pay their employees’ medical claims directly to the provider, or self-insure, allowing for more control managing costs. The healthcare law provided some incentives for businesses to switch from offering fully-insured to self-insured products to better manage costs but also to get out from under some of the costly insurance mandates, taxes and restrictions that exclusively affect the fully-insured market. However, so far small businesses appear to be sticking with the more regulated product, in favor of less administrative burdens and managing claims themselves. And only a few small employers think it’s likely that they will change their financing structure in the future. But for those considering self-insurance, their window of opportunity may be limited or in some cases closed as some states have passed laws or regulations that restrict small businesses’ ability to self-insure. Their efforts to limit small employers’ ability to offer self-insured plans appears to be a solution in search of a problem and not based on changes in financing health insurance among small employers.

Three types of health insurance coverage are generally available to those offering: individual, individual plus-one and family plans. Each type of coverage offered is associated with varying degrees of cost-sharing between the employer and employee. Employers typically pick up more of the cost for employee only coverage than for family or plus-one coverage, but not always. Cost-sharing arrangements vary significantly among small offering firms, much more than of their larger counterparts. Many small firms offering health insurance pick up the entire cost of their employees’ health insurance while most others pay for between 50 – 74 percent. A variety of factors affect owners’ cost-sharing structure including participation, incentives and business profitability.

<sup>7</sup> The 10 essential health benefit categories are listed at <https://www.healthcare.gov/glossary/essential-health-benefits/>.

<sup>8</sup> The America’s Health Insurance Plans, a trade group for health insurance carriers, offers a map highlighting the states’ decision on extending non-compliant coverage in the small group market. <http://www.ahipcoverage.com/2013/11/20/map-of-the-day-state-decisions-on-administrations-policy-on-coverage-extensions/>

#### Employee-only

Individual health insurance plans are offered by 72 percent of offering small businesses (Q#33) and just less than half of owners (45%) offering pay the entire cost of their employees' insurance premiums. About a quarter (24%) pay between 75 – 99% and another quarter (26%) pay between 50 – 74 percent of premium costs (Q#34). Those businesses that do not offer individual coverage likely have no eligible employees who want it. The average cost of individual coverage for one-third of owners offering it is between \$300 and \$499 per employee, per month. Another third pay between \$500 and \$699 (Q#35). About 19 percent of offering firms have all their participating employees covered with an individual plan. The remainder have a mix of plan types covering participating employees (Q#36).

#### Family

About 82 percent of offering firms offer family coverage (Q#30). And of those that offer family coverage, about 40 percent do not cost share and pay the entire premium (Q#31). This is a large increase from last year when 28 percent of firms offering family coverage paid the entire cost. The cause of the increase is not clear. Later surveys will confirm the result, one way or another. About one-quarter of firms offering family plans have all their participating employees taking this type of coverage. Thirty-two percent have most and 34 percent have half or some of their participating employees covered by a family plan (Q#32).

#### Employee Plus-One

The least utilized plan option is the plus one coverage. Forty-four percent of small offering employers offer plus-one coverage (Q#38) and 36 percent of owners pay the full amount of premium costs. Twenty percent pay between 75 – 99 percent of costs and 28 percent pay between 50-74 percent (Q#39). Employee participation in plus-one plans is also limited as 4 percent of owners who offer have half or more of their participating employees covered and 55 percent say that only some of their participating employees are covered by this plan type (Q#40).

The composition of employees' choice of plan type is relatively stable. Only about 1 in 10 owners experienced a change in their employees' choice of insurance plans. Over 80 percent experienced very little to no change in plan composition (Q#41). For those firms that did see a change, most of the shift occurred in favor of individual policies and the main factor in switching was cost followed by employees just making different choices based on their circumstance.

#### **Future Offering of Health Insurance**

The decision to offer health insurance is not taken lightly by small business owners, as the cost is a significant expense for the business and often an administrative headache. But once the decision is made to offer, it is often a long term benefit. Historically, very few businesses discontinue offering the benefit unless under financial distress as employees come to rely on its availability through their place of employment. However, since the recession, the slow recovery continues to put financial pressure on small firms, causing owners to continually evaluate the cost of providing health insurance. Last year, about 8 percent of owners discontinued offering health insurance, a small decline from the 11 percent who discontinued in 2013 (Q#65). Not surprisingly, 64 percent of those who dropped their employer sponsored health insurance program cited cost as a "very important" reason for their decision (Q#67).

Table #4

Offer Expectations Next Year of Non-Offering and Offering Employers						
Currently Offering Health Insurance	Definitely Yes	Probably Yes	Probably No	Definitely No	Not sure/Refuse	Total
Yes	56%	38%	3%	1%	3%	100%
No	0	4	27	64	5	100%

Most small employers will continue with the current state of offering next year. Ninety-four percent of those currently offering health insurance plan to offer the benefit next year. On the other side, 91 percent of non-offering firms plan to keep their current status in 2016 (Q#71).

### Health Insurance Costs

The rising cost of health insurance continues to be a primary concern for small business owners regardless of whether or not they offer the benefit to their employees. The average yearly increase in insurance premiums has outpaced wages and inflation for the last 15 years.<sup>9</sup> The increased costs put pressure on profits, earnings and employees' wages. But cost control was not the primary focus for those advocating for the healthcare law. Rather, expanding coverage was the principal goal.

Sixty-three percent of offering small employers experienced an increase in their per employee premium cost between mid-2014 and mid-2015. Only 8 percent reported an average decrease in insurance premiums and 27 percent saw no change (Q#46). Proponents of the healthcare law touted its ability to reduce costs for small businesses, but so far very few offering employers have felt any cost relief.

The rising cost of health insurance requires small business owners to decide how best to absorb those costs. The most frequent action taken by owners experiencing higher health insurance costs was to increase productivity and efficiency. (Q#54) Improved efficiency is the most positive of all options. However, efficiency gains were most viable for those with the lowest percent increases. Those with larger increases took more drastic measures. The second most common action was to accept lower profits. (Q#50) Fifty-two percent of owners paid for higher costs through lower profits. Absorbing cost increases out-of-pocket is particularly painful for small employers, as the small business sector continues to struggle despite entering year six of the current economic expansion. Thirty-three percent chose to raise prices, an option more frequented this year than last year when 25 percent opted to raise prices. (Q#47) The fourth most used option is the delay, postponement or reduction in business investment. This option is most frequently used by those businesses with the largest increases in premium costs. The next two most frequented options are employee related: increased employees' cost-share and reduced or frozen wages (27% and 21% respectively). (Q#48 and Q#49) The least frequently used options are reducing employees or hours worked and reducing non-health employee benefits (Q#48 and Q#53).

Offering employers also manage cost increases by changing their insurance plan(s). The most common adjustment taken by offering employers (36%) to lower their insurance costs is increasing their plan's deductible. Only 5 percent lowered their plan's deductible and the remaining 58 percent kept them the same as last year (Q#58). The second most frequent action was increasing the plan's co-pay from last year. Thirty percent of offering employers increased their plan's co-pays, 65 percent did not change their co-pay and 3 percent lowered it (Q#59). Restricting the plan's network was the third most frequently used option with 18 percent of offering employers choosing this option and 80 percent keeping it the same. Just 1 percent opted for a less restrictive network compared to the year before

<sup>9</sup> <http://files.kff.org/attachment/summary-of-findings-2015-employer-health-benefits-survey>

(Q#57). The most difficult and least frequently used option in cost containment was adjusting benefits. The healthcare law requires all plans in the small group market cover 10 essential health benefits. So for many, adjusting the number of benefits is not an option. But for those with more generous plans, 20 percent of offering owners reduced benefits. Seventy-two percent kept the same benefits as last year and 7 percent expanded their plan's benefits (Q#56).

Just as many eligible full-time employees chose to participate in their employer's health plan as last year. Five percent of offering employers had more employees participate and 5 percent had fewer employees participate. The vast majority (88%) of offering employers experienced no change in levels of participation among their full-time employees (Q#60).

### **Communication among Small Business Owners**

Health insurance is a topic of conversation among small employers. Just under half of small employers (44%) talk with other business owners about employer sponsored health insurance (Q#78). Among those who discuss the topic, most all of them discuss cost. But for many, the conversation extends to other areas including: cost sharing, offering status, and types of plans.

The cost of health insurance is the main topic of conversation for those who discuss health insurance with other business owners. Ninety-three percent of owners fell into this category. Seventy-two percent of owners discuss the types of plans offered, followed by 67 percent who talk about cost-sharing. Sixty-eight percent of owners who discuss health insurance talk about offering the benefit (Q#79-82).

Table #5

Offering Health Insurance	Discussed Health Insurance	Percent of those who discussed health insurance with other owners			
		Offering	Cost	Plan type	Cost-sharing
Yes	47%	80%	99%	87%	78%
No	43	59	88	60	59

The discussion of health insurance is not limited to just those who offer the benefit. Non-offering employers also discuss the topic with nearly the same frequency. But for non-offering firms, the focus is cost.

### **Conclusion**

The cost of health insurance continues to plague small employers five years after the enactment of the Patient Protection and Affordable Care Act. The roll out of the healthcare law is still in progress. The employer-sponsored health insurance model is still adjusting to many of the law's provisions including increased insurance regulations, the employer mandate, added tax burdens, and individual market subsidy incentives.

The law was largely sold as offering cost savings for small employers offering health insurance. Unfortunately, most small employers offering health insurance continue to experience yearly increases that add stress to profits, earnings and employee wage growth. The law's main program to help small businesses, the government facilitated SHOP exchange, is so far a bust. Small employers are generally not interested in the exchange. The small business tax credit was designed to entice owners to use the SHOP exchange. But few small offering employers qualify for the tax credit, limiting the incentive for

small employers or their insurance agent to purchase in the SHOP exchange. The temporary tax credit will expire after this year for businesses that initially qualified for it, leaving qualified businesses with a choice of whether to continue to offer within the SHOP exchange marketplace, purchase group insurance outside of the SHOP exchange or drop group insurance altogether due to dramatic premium increases.

The third year of the health insurance longitudinal survey highlights the changes in small employer's personal insurance coverage and employer sponsored health insurance. Small employers will continue to adjust to the new realities of the health insurance landscape due to the ACA. Future surveys will be better able to measure the magnitude of these shifts as the Cadillac tax and other ACA provision impact the insurance market and ultimately, small business owners.

# NFIB HEALTH INSURANCE SURVEY

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1. Which of the following best describes your position in this business?

1.	Owner & Manager	63%
2.	Owner, but not a Manager	3
3.	Manager, but not an Owner	30
4.	Other	5

Total	100%
N	910

2. Not including yourself, approximately how many total employees does your business have?

1.	2 – 9	676
2.	10 – 19	130
3.	20 – 49	79
4.	50 – 100	25

Total	910
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3. Not including yourself, approximately how many part-time employees working less than 30 hours a week do you currently have working for you?

1.	None	45%
2.	1 – 4	45
3.	5 – 9	7
4.	10 – 19	3
5.	20 – 49	1
6.	50 or more	*

Total	100%
N	910

4. Not including yourself, approximately how many full-time employees working 30 hours or more a week, do you currently have working for you?

1.	None	6
2.	1 – 4	53
3.	5 – 9	20
4.	10 – 19	13
5.	20 – 49	7
6.	50 or more	2

Total	100%
N	910



5. Which best describes your full-time employees pay? In wages, salary, tips, commissions, etc., do half of your full-time employees earn more than:

1.	<\$25,000 per year or \$12.50 per hour	23%
2.	\$25,000 per year or \$12.50 per hour	37
3.	\$40,000 per year or \$20 per hour	25
4.	\$55,000 per year or \$27.50 per hour	5
5.	\$70,000 per year or \$35 per hour	3
6.	(DK/Refuse)	7

Total	100%
N	892

6. Do you personally have health insurance, and if so do you get it from your business's health plan, a spouse's health plan, or an individual health plan?

1.	Have business plan	34%
2.	Have spouse's plan	17
3.	Have individual plan	41
4.	Do not have health insurance	6
5.	(DK/Refused)	2

Total	100%
N	910

7. Was your personal health insurance purchased through the government's health insurance exchange, healthcare.gov, or on the private market outside of the exchange?

1.	Government Exchange	28%
2.	Private Market	58
3.	(DK/Refused)	14

Total	100%
N	224

8. Did you receive a government subsidy or credit that reduced your overall cost when you purchased your personal health insurance through the government exchange?

1.	Yes	57%
2.	No	42
3.	(DK/Refused)	1

Total	100%
N	54

9. If you received an insurance subsidy or tax credit last year, did you have to pay any of it back this year when you filed your taxes?

1.	Yes	10%
2.	No	76
3.	(DK/Refused)	14
Total		100%
N		53

10. In the last 12 months did you have your personal health plan terminated or cancelled for any reason other than non-payment?

1.	Yes	10%
2.	No	88
3.	(DK/Refused)	2
Total		100%
N		224

11. Is the cost of your current personal health plan compared to your terminated or cancelled plan?

1.	35 percent or more higher	—%
2.	10 to 34 percent higher	—
3.	Less than 10 percent higher	—
4.	Less than 10 percent lower	—
5.	10 to 34 percent lower	—
6.	35 percent or more lower	—
Total		100%
N		31

12. In the last 6 months, have more than 5 percent of your employees, or representatives of more than 5 percent of your employees, asked that the business offer an employee health insurance plan?

1.	Yes	12%
2.	No	87
3.	(DK/Refused)	1
Total		100%
N		908

13. Does your business offer any employee tax preferred reimbursement or financial support to help pay for a health insurance plan that employees purchase on their own?

1.	Yes	16%
2.	No	84
3.	(DK/Refused)	1
Total		100%
N		910

14. Is that financial support based primarily on:

1.	A flat amount per employee	47
2.	A percent of the employee's health insurance premium	29
3.	A percent of the employee's salary or wages	6
4.	The employee's length of service	1
5.	Something else (specify) _____	13
6.	(DK/Refused)	5
Total		100%
N		175

15. Have you seriously considered, considered, or not considered offering your employees a tax preferred reimbursement or a financial incentive to purchase health insurance on their own instead of directly offering the benefit?

1.	Seriously Considered	5%
2.	Considered	15
3.	Not Considered	74
4.	(DK/Refused)	6
Total		100%
N		735

16. Would that financial support be based primarily on:

1.	A flat amount per employee	27%
2.	A percent of the employee's health insurance premium	10
3.	A percent of the employee's salary or wages	27
4.	The employee's length of service	6
5.	Something else	15
6.	Not sure/Refused	15
Total		100%
N		170

17. Does your business currently offer health insurance coverage to employees?
- |       |     |      |
|-------|-----|------|
| 1.    | Yes | 41%  |
| 2.    | No  | 59   |
| Total |     | 100% |
| N     |     | 910  |
18. What is the most important reason that you don't offer employee health insurance?
- |       |  |      |
|-------|--|------|
| 1.    | Too expensive  | 52%  |
| 2.    | Can't get enough employees to participate                              | 9    |
| 3.    | Administrative hassle too great  | 5    |
| 4.    | Many employees are part-time, seasonal, or high turn-over              | 7    |
| 5.    | Revenue is too uncertain   | 8    |
| 6.    | Employees can purchase it on their own, including in the new exchanges | 17   |
| 7.    | (Other/DK/Refused)   | 1    |
| Total |  | 100% |
| N     |  | 295  |
19. Is there a second most important reason?
- |       |  |      |
|-------|--|------|
| 1.    | Too expensive  | 14%  |
| 2.    | Can't get enough employees to participate                              | 6    |
| 3.    | Administrative hassle too great  | 8    |
| 4.    | Many employees are part-time, seasonal, or high turn-over              | 6    |
| 5.    | Revenue is too uncertain   | 6    |
| 6.    | Employees can purchase it on their own, including in the new exchanges | 11   |
| 7.    | Other  | 1    |
| 8.    | No second reason   | 48   |
| Total |  | 100% |
| N     |  | 291  |
20. Did you purchase your employee health insurance through an agent or broker?
- |       |             |      |
|-------|-------------|------|
| 1.    | Yes         | 63%  |
| 2.    | No          | 34   |
| 3.    | (DK/Refuse) | 4    |
| Total |             | 100% |
| N     |             | 614  |

21. Did you or your health insurance agent look into purchasing insurance through the government sponsored small business health insurance exchange or SHOP exchange?

1.	Yes	23%
2.	No	62
3.	(DK/Refuse)	15
Total		100%
N		614

22. Is health insurance offered only to full-time employees or to both full-time and part-time employees?

1.	Full-time only	84%
2.	Both full-time and part-time	15
3.	Part-time only	*
4.	(DK/Refused)	1
Total		100%
N		615

23. Under which one of the following types of health plans are most of your employees covered?

1.	HMO	25%
2.	High-deductible PPO	23
3.	PPO	38
4.	Point of Service	4
5.	(DK/Refused)	10
Total		100%
N		615

24. Does your business also offer another type of health plan?

1.	Yes	20%
2.	No	80
3.	(DK/Refused)	*
Total		100%
N		560

25. In the last 12 months did you have your employer sponsored health plan terminated or cancelled for any reason other than non-payment?

1.	Yes	4%
2.	No	96
3.	(DK/Refused)	1
Total		100%
N		615

26. Is the cost of your current employer sponsored health plan compared to your terminated or cancelled plan:

1.	35 percent or more higher	—%
2.	10 to 34 percent higher	—
3.	Less than 10 percent higher	—
4.	Less than 10 percent lower	—
5.	10 to 34 percent lower	—
6.	35 percent or more lower	—
Total		100%
N		22

27. Which best describes the health plan that covers most of your employees? Is it a:

1.	A <b>Fully Insured Plan</b> in which you contract with a health plan that assumes financial responsibility for the costs of enrollees' medical claims, OR	81%
2.	A <b>Self-Funded Plan</b> in which you assume direct financial responsibility for the costs of enrollees' medical claims, but have "stop-loss" coverage from an insurer to protect you against very large claims	5
3.	(Self-Funded with no stop-loss)	3
4.	(DK/Refused)	12
Total		100%
N		614



28. Is it highly likely, somewhat likely, not too likely or not at all likely that you will switch to a self-funded employee health insurance the next time your policy comes up for renewal, or haven't you thought about renewal yet?

1.	Highly likely	2%
2.	Somewhat likely	4
3.	Not too likely	19
4.	Not at all likely	54
5.	Haven't thought about renewal yet	21
6.	(Not Sure/Refuse)	1
Total		100%
N		503

29. There are typically three types of health coverage policies: FAMILY, INDIVIDUAL, that is EMPLOYEE-ONLY, and PLUS ONE, that is, EMPLOYEE and ONE OTHER PERSON. Does your business offer:

Family coverage?

1.	Yes	82%
2.	No	18
3.	(DK/Refused)	*
Total		100%
N		612

30. Approximately, what percentage of the premium does your business pay for a FAMILY health insurance policy?

1.	All of it – 100%	40%
2.	90 – 99 percent	3
3.	75 – 89 percent	16
4.	50 – 74 percent	24
5.	25 – 49 percent	5
6.	1 – 24 Percent	4
7.	Nothing	7
8.	(DK/Refused)	1
Total		100%
N		553

31. Including both employer and employee contributions, what is the average total **monthly** cost per employee policy?

1.	<\$500	6%
2.	\$500-\$599	6
3.	\$600-\$699	3
4.	\$700-\$799	3
5.	\$800-\$899	6
6.	\$900-\$999	6
7.	\$1,000-\$1,099	13
8.	\$1,100-\$1,199	10
9.	\$1,200-\$1,299	6
10.	\$1,300-\$1,399	4
11.	\$1,400-\$1,499	4
12.	\$1,500-\$1,749	16
13.	\$1,750-\$1,999	10
14.	\$2,000+	7
15.	(DK/Refused)	3
Total		100%
N		546

32. Do all, most, half, some or none of the employees participating in your health plan have family coverage?

1.	All	26%
2.	Most	32
3.	Half	5
4.	Some	29
5.	None (see text)	8
6.	(DK/Refused)	*
Total		100%
N		547

33. Does your business offer an **INDIVIDUAL** health insurance option?

1.	Yes	72%
2.	No	22
3.	(DK/Refused)	7
Total		100%
N		614

34. Approximately, what percentage of the premium does your business pay for an **INDIVIDUAL** health insurance policy?

1.	All of it – 100%	45%
2.	90 – 99 percent	7
3.	75 – 89 percent	17
4.	50 – 74 percent	27
5.	25 – 49 percent	4
6.	1 – 24 percent	1
7.	Nothing	1
8.	(DK/Refused)	1
Total		100%
N		491

35. Including employer and employee contributions for **INDIVIDUAL** health care coverage, what is the average total **monthly** cost per policy?

1.	Less than \$200	3%
2.	\$200-\$299	9
3.	\$300-\$399	18
4.	\$400-\$499	14
5.	\$500-\$599	18
6.	\$600-\$699	15
7.	\$700-\$799	12
8.	\$800-\$899	4
9.	\$900-\$999	2
10.	\$1,000+	3
11.	(DK/Refused)	3
Total		100%
N		490

36. Do all, most, half, some or none of the employees participating in your health plan have individual coverage?

1.	All	19%
2.	Most	16
3.	Half	8
4.	Some	45
5.	None (see text)	11
6.	(DK/Refused)	1
Total		100%
N		493

37. Does your business offer a so-called “plus-one” health insurance option, that is, an option that covers the employee and one other person?

1.	Yes	44%
2.	No	52
3.	(DK/Refused)	4
Total		100%
N		614

38. Approximately, what percentage of the premium does your business pay for a “plus-one” health insurance policy?

1.	All of it – 100 percent	36%
2.	90 – 99 percent	9
3.	75 – 89 percent	11
4.	50 – 74 percent	28
5.	25 – 49 percent	5
6.	1 – 24 percent	2
7.	Nothing	7
8.	(DK/Refused)	2
Total		100%
N		356

39. Including employer and employee contributions for “plus-one” health care coverage, what is the average total **monthly** cost per policy?

1.	Less than \$300	3%
2.	\$300-\$399	7
3.	\$400-\$499	7
4.	\$500-\$599	14
5.	\$600-\$699	9
6.	\$700-\$799	17
7.	\$800-\$899	10
8.	\$900-\$999	10
9.	\$1,000-\$1,099	4
10.	\$1,100-\$1,199	2
11.	\$1,200-\$1,299	4
12.	\$1,300-\$1,399	2
13.	\$1,400-\$1,499	1
14.	\$1,500+	5
15.	(DK/Refused)	5
Total		100%
N		355

40. Do all, most, half, some or none of the employees participating in your health plan have plus-one coverage?

1.	All	1%
2.	Most	1
3.	Half	2
4.	Some	55
5.	None (see text)	39
6.	(DK/Refused)	2

Total	100%
N	357

41. Has the percentage of employees choosing **individual**, **family**, or **“plus one”** options changed over the last year or two, or has the mix held reasonably steady?

1.	Changed	12%
2.	Steady	84
3.	(DK/Refused)	4

Total	100%
N	612

42. Which type of policy option has increased its share of employee participation? (If asked, in ABSOLUTE NUMBERS)

1.	Individual policies	48%
2.	Family policies	32
3.	Plus one policies	10
4.	(DK/Refused)	10

Total	100%
N	66

43. What is the primary reason for this change?

1.	Change in employee costs	31%
2.	Changing composition of the workforce	10
3.	More employees participating	10
4.	Fewer employees participating	16
5.	Employees just making different choices	19
6.	(DK/Refused)	14

Total	100%
N	74

44. Was the change in employee cost primarily due to a change in the employee/employer cost share or a change in the total price of the plan, or both?

1.	Cost-share	—%
2.	Plan price	—
3.	Both	—
4.	(DK/Refuse)	—
Total		100%
N		24

45. Did you offer employee health insurance to any of your employees LAST year at this time?

1.	Yes	88%
2.	No	7
3.	(DK/Refused)	4
Total		100%
N		592

46. Is the PER EMPLOYEE cost of your current health plan more, less or about the same as last year's plan? (Plan cost, not employer's or employee's share.)

1.	More	63%
2.	Less	8
3.	Same	27
4.	(DK/Refused)	2
Total		100%
N		572

Did you do any of the following in order to pay for the increase?

	Yes	No	(DK/Refuse)	Total	N
47. Raise prices?	33%	66%	1%	100%	346
48. Cut employees or reduce their hours?	9	91	0	100%	342
49. Increased employee cost-share?	27	73	0	100%	346
50. Take a lower profit or suffer a loss?	52	45	4	100%	345
51. Delay, postpone or reduce business investment?	29	67	4	100%	343
52. Freeze or reduce wages?	21	76	3	100%	342
53. Reduce non-health employee benefits?	11	89	0	100%	344
54. Became more productive, more efficient?	54	43	3	100%	339



55. Please estimate the PER EMPLOYEE percent change in cost of this year's plan compared to last year's plan. Was it:

	<u>Increases/More</u>	<u>Decreases/Less</u>
1. Less than 5%	7%	--
2. 5 – 9%	30	--
3. 10 – 19%	42	--
4. 20 – 34%	7	--
5. 35 – 49%	4	--
6. 50% or more	6	--
7. (DK/Refused)	4	--
Total	100%	100%
N	352	43

56. Are the benefits in this year's plan more, less, or about the same, as they were in last year's plan?

1. More	7%
2. Less	20
3. Same	72
4. (DK/Refused)	1
Total	100%
N	571

57. Is the provider network in this year's plan more restrictive, less restrictive, or about the same as they were in last year's plan?

1. More	18%
2. Less	1
3. Same	80
4. (DK/Refused)	1
Total	100%
N	571

58. Are the deductibles in this year's plan higher, lower, or about the same as they were in last year's plan?

1. Higher	36%
2. Lower	5
3. Same	58
4. (DK/Refused)	1
Total	100%
N	571

59. Are the co-pays in this year's plan higher, lower, or about the same as they were in last year's plan?

1.	Higher	30%
2.	Lower	3
3.	Same	65
4.	(DK/Refused)	1
Total		100%
N		571

60. Did more, less, or about the same number of eligible full-time employees choose to participate in this year's health insurance plan as participated last year?

1.	More	5%
2.	Less	5
3.	Same	88
4.	(DK/Refused)	1
Total		100%
N		570

Please tell how important each of the following was in your decision to offer employee health insurance in the last year? (Newly Offering Employers ONLY – Combines Two Years of Data)

61. Profitability now allows me to offer it.

1.	Very Important	– %
2.	Somewhat Important	–
3.	Not Important	–
Total		100%
N		27

62. The health care law requires me to offer it.

1.	Very Important	–%
2.	Somewhat Important	–
3.	Not Important	–
4.	(DK/Refused)	–
Total		100%
N		27

63. Need to offer it to compete for good employees.

1.	Very Important	—%
2.	Somewhat Important	—
3.	Not Important	—
4.	(DK/Refused)	—
Total		100%
N		27

64. Needed to find a more affordable plan for you and family to participate in.

1.	Very Important	—%
2.	Somewhat Important	—
3.	Not Important	—
Total		100%
N		28

65. Did you offer employee health insurance to any of your employees LAST year at this time?

1.	Yes	8%
2.	No	92
3.	(DK/Refused)	*
Total		100%
N		296

Please tell me how important each of the following reasons were that led you to drop employee health insurance in the last year?

66. The number of participants in my plan fell.

1.	Very Important	—%
2.	Somewhat Important	—
3.	Not Important	—
4.	(DK/Refused)	—
Total		100%
N		28

67.	It became too expensive.	
1.	Very Important	—%
2.	Somewhat Important	—
3.	Not Important	—
4.	(DK/Refused)	—
	Total	100%
	N	29
68.	My employees preferred cash rather than insurance.	
1.	Very Important	—%
2.	Somewhat Important	—
3.	Not Important	—
4.	(DK/Refused)	—
	Total	100%
	N	28
69.	Business profitability took a turn for the worse.	
1.	Very Important	—%
2.	Somewhat Important	—
3.	Not Important	—
4.	(DK/Refused)	—
	Total	100%
	N	29
70.	My employees could do better on their own.	
1.	Very Important	—%
2.	Somewhat Important	—
3.	Not Important	—
4.	(DK/Refused)	—
	Total	100%
	N	28

71. Do you expect to offer employee health insurance to any of your employees at this time NEXT year?

1.	Definitely Yes	23%
2.	Probably Yes	18
3.	Probably No	17
4.	Definitely No	38
5.	(DK/Refused)	4

Total	100%
N	910

72. The health care law, sometimes known as the Affordable Care Act, or Obamacare, is being implemented. How familiar are you with this law? Are you:

1.	Very familiar	29%
2.	Somewhat familiar	51
3.	Not too familiar	14
4.	Not at all familiar	7

Total	100%
N	910

73. From what one source have you obtained the **most** useful information about your business's responsibilities and opportunities under the new health care law? Has it been:

1.	Health insurance industry or insurer	21%
2.	Health care industry or provider	13
3.	Business advisor, like accountant or lawyer	15
4.	Government	6
5.	Trade associations or business groups	15
6.	General news media	22
7.	(Other)	4
8.	Have not received any useful information	3
9.	(DK/Refused)	3

Total	100%
N	871

74. Is there a second source that has been useful?

1.	Health insurance industry or insurer	9%
2.	Health care industry or provider	13
3.	Business advisor, like accountant or lawyer	11
4.	Government	5
5.	Trade associations or business groups	7
6.	General news media	20
7.	(Other)	7
8.	(None/DK/Refused)	28

Total	100%
N	816

75. How satisfied are you overall with the clarity and usefulness of the information received? Are you?

1.	Very satisfied	22%
2.	Somewhat satisfied	53
3.	Not too satisfied	11
4.	Not at all satisfied	13
5.	(DK/Refused)	1

Total	100%
N	842

76. In the last year, have you visited the ACA or Obamacare Web site, HealthCare.gov, to look for individual health insurance policies, for business insurance policies, for simple curiosity, or have you not visited it?

1.	Individual	14%
2.	Business	3
3.	(Both, individual and business)	9
4.	Curiosity	8
5.	Not visited	66
6.	(DK/Refuse)	*

Total	100%
N	909



77. Compared to two years ago, is there much more, slightly more, about the same, slightly less, or much less competition for your firm's health insurance business or potential health insurance business?

1.	Much more competition	3%
2.	Slightly more competition	7
3.	No change in competition	35
4.	Slightly less competition	13
5.	Much less competition	12
6.	Not relevant to your situation	15
7.	(DK/Refuse)	15

Total	100%
N	909

78. Over the last year, have you talked to other business owners about employer sponsored health insurance?

1.	Yes	44%
2.	No	56
3.	(DK/Refuse)	*

Total	100%
N	908

79. Did you talk about offering health insurance?

1.	Yes	68%
2.	No	30
3.	(DK/Refuse)	2

Total	100%
N	436

80. Did you talk about the cost of insurance plans?

1.	Yes	93%
2.	No	6
3.	(DK/Refuse)	1

Total	100%
N	436

81. Did you talk about type of insurance plans?

1.	Yes	72%
2.	No	28
3.	(DK/Refuse)	*

Total	100%
N	435

82. Did you talk about Employer/Employee cost sharing?

1.	Yes	67%
2.	No	33
3.	(DK/Refuse)	*

Total	100%
N	438

## DEMOGRAPHICS

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D1. Over the next three to five years, do you want this business to:

1.	Grow a lot	42%
2.	Grow a little	32
3.	Stay the same	16
4.	Downsize a little	3
5.	Downsize a lot	4
6.	(DK/Refused)	3

Total	100%
N	910

D2. Compared to last year at this time, is this business currently:

1.	Much more profitable	6%
2.	Somewhat more profitable	23
3.	About as profitable	41
4.	Somewhat less profitable	18
5.	Much less profitable	11
6.	(DK/Refused)	2

Total	100%
N	910

D3. Is your legal form of business a:

1.	Proprietorship	18%
2.	Partnership	2
3.	S-Corporation	34
4.	C-Corporation	24
5.	LLC	17
6.	(DK/Refused)	6

Total	100%
N	910

D4.	How long have you owned or managed this business?	
1.	< 1 – 3 years	13%
2.	4 – 9 years	14
4.	10 – 14 years	11
5.	15 – 19 years	13
6.	20 – 29 years	26
7.	30 – 39 years	15
8.	40+ years	8
	Total	100%
	N	910
D5.	What is your highest level of formal education?	
1.	Did not complete high school	1%
2.	High school diploma/GED	13
3.	Some college or associates degree	27
4.	Vocational or technical degree/certificate	2
5.	College diploma	34
6.	Advanced or professional degree	24
7.	(DK/Refused)	*
	Total	100%
	N	910
D6.	How would you describe your primary business activity?	
1.	Agriculture, forestry, fishing, and hunting	3%
2.	Construction	8
3.	Manufacturing	6
4.	Wholesale trade	7
5.	Retail trade	18
6.	Transportation and Warehousing	3
7.	Information	2
8.	Finance and Insurance	7
9.	Real Estate and Rental/Leasing	4
10.	Professional, Scientific, and Technical Services	10
11.	Administrative and Support, Waste Management, or Remediation Services	4
12.	Education Services	1
13.	Health Care and Social Assistance	13
14.	Arts, Entertainment, and Recreation	2
15.	Accommodations and Food Services	2
16.	Repair and Maintenance Services or Personal Care Services	6
17.	Other	7
	Total	100%
	N	910

D7. Region of the country.

1.	Northeast	18%
2.	Southeast	18
3.	Mid-west	29
4.	Central	21
5.	Pacific	14
Total		100%
N		910

D8. How old are you?

1.	<35 years old	10%
2.	35 – 44 years old	13
3.	45 – 54 years old	24
4.	55 – 64 years old	33
5.	65 – 74 years old	19
6.	75+ years old	1
Total		100%
N		910

D9. Gender

1.	Male	55%
2.	Female	45
Total		100%
N		910

D10. Number of Employees

1.	2-9 employees	74%
2.	10-19 employees	14
3.	20-49 employees	9
4.	50-99 employees	3
Total		100%
N		910

## METHODOLOGY

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The NFIB Research Foundation engaged Mason-Dixon Polling & Research in late 2012 to help it begin a projected three-year longitudinal survey of small business and the introduction of the Affordable Care Act. The purpose of this research was to follow small businesses as the new law took effect and measure the changes that they experienced over time. It likewise was intended to trace health insurance cost changes and small employer response to them. What the survey will not do is attempt to measure opinion about the Affordable Care Act. The answer to those questions appeared reasonably well-established and well-known and therefore required little additional attention.

The Foundation's research strategy for the project was to draw a nationally representative stratified random sample of small employers and then follow small-employer respondents to the first year's survey for an additional two years. A stratified random sample is necessary to conduct the project due to the distribution of the small employer population. Ninety (90) percent of all small employers have fewer than 20 employees and 60 percent have fewer than five.

Although the Affordable Care Act affects all small employers, its major direct impacts was expected to fall on larger, small firms, principally those approaching the 50 employee employer-mandate threshold and larger. It was, therefore, important that the survey contain enough cases to be able to say something about the larger, small business segment of the population. A sufficient number of cases from this group requires over-sampling them. Hence the Foundation targeted a sample size of 225 cases from each of the four employee size strata: 2 – 9 employees, 10 – 19 employees, 20 – 49 employees, and 50 – 100 employees. The choice to cap the definition at 100 employees rather than some other point is arbitrary, but probably not controversial. It is an intuitively satisfying dividing line; virtually all small business above the line offer health insurance; adding another stratum of say between 100 – 250 employees appears to offer little additional informational value; owners of increasingly large firms are increasingly difficult to interview; etc. In the end, Mason-Dixon initially interviewed 921 small employers from mid-June through July 2013, numerically distributed across the four strata from smallest to largest as follows: 231 cases, 224 cases, 238 cases; and 228 cases. Use of a random stratified sample means population totals can only be reached by weighting cases, smaller, small firms (under-sampled) being given a greater weight per case and vice versa. Thus, population totals for a 2 – 100 employee firm size population, or totals for a 20 – 100 employee firm size population are presented using weighted numbers.

A second round of interviewing occurred from mid-June through July, 2014. Efforts were made to reinterview all initial participants. Two hundred and twenty-eight (228) who participated in 2013 agreed to participate in the second year. They were distributed by firm size as follows: 74 cases, 66 cases, 83 cases, and 65 cases. Not a single case changed firm size classification. Recognizing that not all participating in 2013 would be willing to participate in 2014, on a parallel track Mason-Dixon also began interviewing a new stratified random sample in the same manner as in the prior year. Initial participants supplemented by the new ones yielded 223 cases (2 – 9 employees), 227 cases (10 – 19 employees), 224 cases (20 – 49 employees) and 226 cases (50 – 100 employees) for a total of 900 cases.

The third round of interviews occurred from mid-June through July, 2015. As with 2014, attempts were made to reinterview participants from the two previous surveys. One hundred and three participants from the 2013 survey participated in 2015 and 110 participants from the 2014 survey participated in 2015. In total, 910 respondents participated in the 2015 survey in the following firm size categories: 224

cases (2 – 9 employees), 223 (10 – 19 employees), 237 (20 – 49 employees) and 226 (50 – 100 employees).

Participants in the mid-2014 survey were contacted twice during the next few months, once to advise them of the gift card incentive winners for random participants and once to provide a summary of survey results. They were then contacted for a third time by mail and telephone seeking their continued participation. The gift card incentive was repeated and they were given the choice of participating by telephone or e-mail.

New participants were recruited in the same manner as were those in the first and second years. The sampling frame for both rounds was the Dun & Bradstreet file, an imperfect frame, but one the best currently available from a non-government source. Mason-Dixon mailed potential members of the new sample an introductory letter outlining the project, asking for cooperation, and announcing gift card incentives for randomly drawn participants. Telephone calls followed the introductory letters and respondents were given the choice of answering by telephone or by e-mail.

The **NFIB Research Foundation** is a small business-oriented research and information organization affiliated with the **National Federation of Independent Business**, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy-related problems small business owners encounter. Its periodic reports include *Small Business Economic Trends*, *Small Business Problems and Priorities*, and the *National Small Business Poll*. The Foundation also publishes ad hoc reports on issues of concern to small business owners.



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