

# Small Businesses and the Affordable Care Act



Findings of a 2014 Survey of  
Chicago Area Small Businesses

November, 2014

**HDA**  
Health &  
Disability  
Advocates

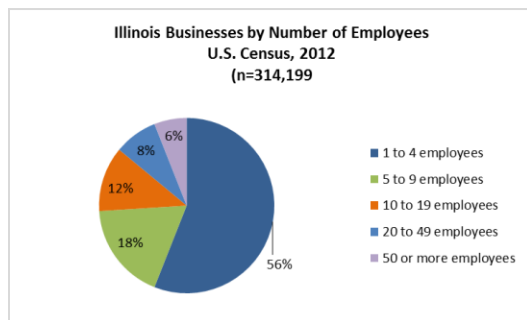
For more information about Health & Disability Advocate's work to support small businesses, visit us at  
<http://illinoishealthmatters.org/small-business-health-insurance/>

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The Affordable Care Act (ACA) mandates that, beginning in 2016 employers with 50 or more full-time equivalent employees offer health coverage to full-time employees and their dependents or pay taxes if an employee obtains coverage and a premium tax credit through the Marketplace. Large employers who fail to provide affordable and minimal value coverage will be assessed a financial penalty.

In 2012, the most recent year for which U.S. Census data on businesses are available, there were 314,199 business establishments in Illinois. However, the vast majority of these businesses (94%) employ fewer than 50 employees and thus they are exempt from this ACA coverage requirement.



The ACA strives to make health insurance more affordable to small businesses through the Small Business Health Options Program. Thus an intensive effort to reach out to small business owners is required to ensure that they are informed about the benefits afforded by the ACA. Once armed with information, those small businesses that choose not to purchase insurance should provide their employees with information about purchasing their own plans through the Marketplace.

To inform outreach and education efforts locally, Health & Disability Advocates (HDA) recently partnered with *Crain's Chicago Business* to identify (a) what, if any, health care coverage small businesses are

### Small Business Health Options Program

Small employers with up to 50 full-time equivalent (FTE) employees have access to the new Health Insurance Marketplace through the Small Business Health Options Program (SHOP).

The SHOP Marketplace offers small employers increased purchasing power to obtain a better choice of high-quality coverage at a lower cost. Costs are lowered because small employers can pool their risk.

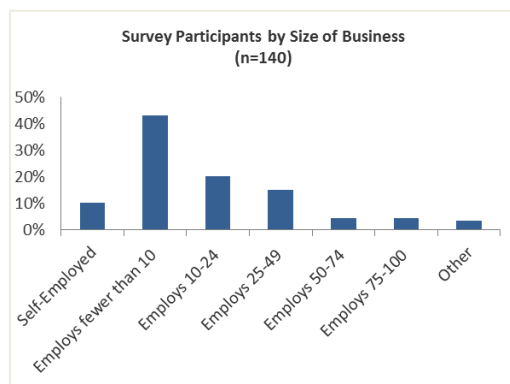
To purchase coverage in SHOP, eligible employers must have at least one common law employee, offer SHOP coverage to all of their full-time employees, and meet minimum participation rates.

providing to their employees, (b) their perceptions about the Affordable Care Act, and (c) health insurance information needed by small businesses. The electronic survey was open from October 7th through October 24<sup>th</sup>, 2014. The survey link was promoted through the *Crains Chicago Business* online publication, as well as through HDA's social media sites and those of select partners.

### Survey Respondents

The survey was completed by 141 respondents; the number of responses to individual questions ranged from just over 100 to a high of 140. The majority of respondents (88%) identified themselves as small business owners. Fourteen respondents (10%) indicated they were self-employed and three respondents identified themselves as representatives of either a business or advocacy organization, but not a small business.

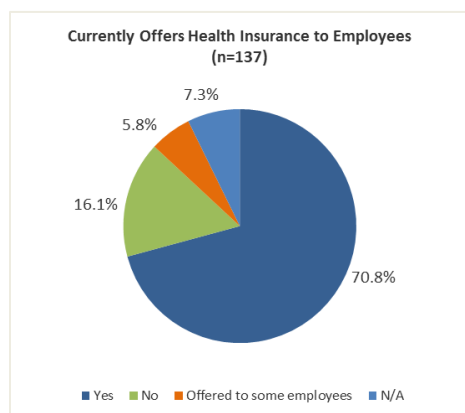
The largest numbers of respondents employ fewer than 10 workers, while 12 respondents reported their businesses had between 50 and 100 employees.



### Provision of Health Insurance

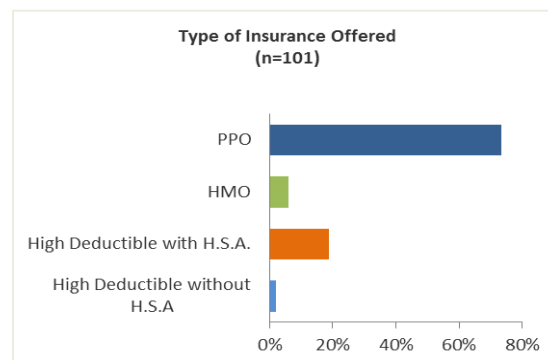
Just under 71% of survey respondents (97) indicated that they currently offer health insurance to their employees, while almost 6% reported that insurance is offered to some, but not all of their workers.

These numbers are consistent with recent findings from the National Small Business Association's (NSBA) 2014 Small Business Health Care Survey which found that 70% of small businesses provided health benefits. (It should be noted that 12% of the NSBA's sample employed between 50 and 499 employees).

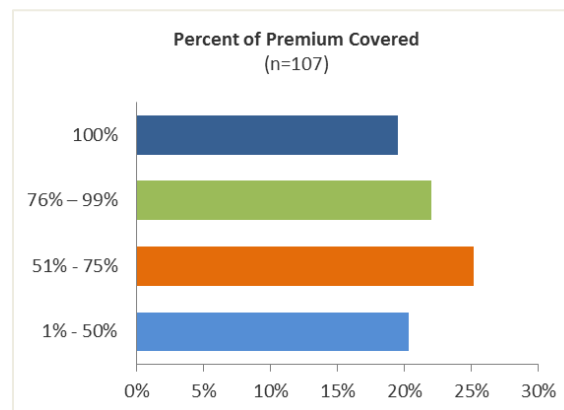


When asked what type of health insurance they offer to their employees, just over 73%

of respondents indicated coverage is provided through a preferred provider organization (PPO). The second most frequent response (18.8%) was that a "high deductible plan with a health savings account" was offered.



The extent to which employers who are providing employee health insurance contribute to worker premiums varies widely. While 19.5% of respondents reportedly cover 100% of their employee premiums, similar proportions (20% to 25%) are providing coverage in lower ranges.



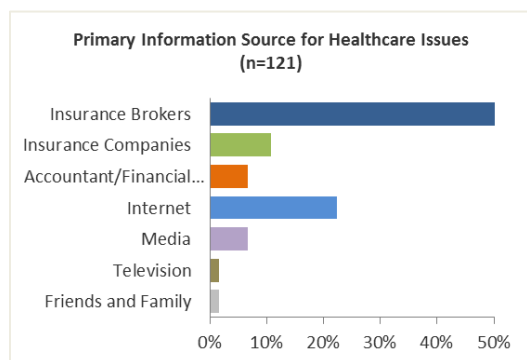
Similar variations were found when respondents were asked what percentage of their annual budget is being spent on health insurance for their employees. The greatest proportion of businesses (36.5%) indicated they are directing between 5 and 10 percent of their budgets to employee health benefits, while the smallest proportion (16.3%) spend more than 15% of annual budgets on health insurance.

Despite the considerable investment in employee health coverage, only 11% of respondents indicated that they are currently taking advantage of the small business healthcare tax credit. While over 57% are not taking advantage of the credit, more concerning is the fact that 31% of respondents did not know whether or not they were getting the benefits of the tax credit. This suggests significant opportunities for outreach and education.

### Sources of Information and Assistance

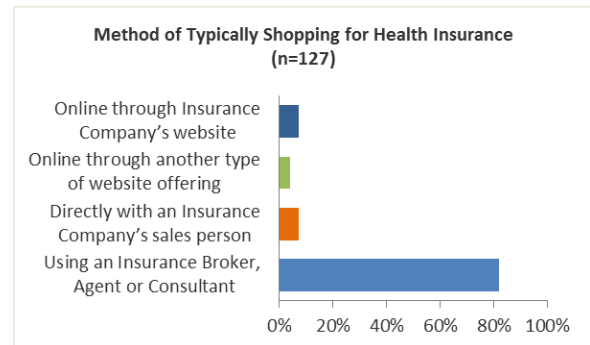
To ensure that information about the ACA is accessible to small business owners, the survey elicited information about where respondents currently received information and assistance.

When asked specifically about healthcare issues, slightly more than half of the small businesses owners (50.4%) identified insurance brokers as their primary source for information. Less than one-fourth of respondents receive the majority of their healthcare information from the internet and just over 10% get it from insurance companies.

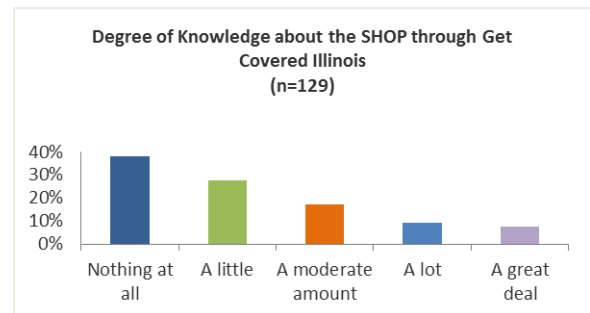


With more than half of respondents receiving their healthcare information through an insurance broker, it is not surprising that the vast majority (81.9%) reported they typically shop for health insurance using a broker, agent or insurance consultant. Much smaller

proportions reported shopping through an insurance company's website or salesperson (7.1% each), or through another type of website option (3.9%).



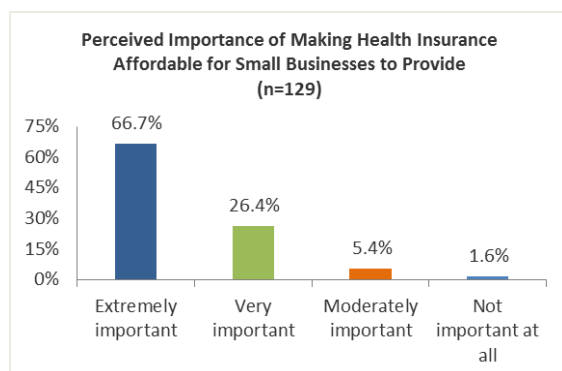
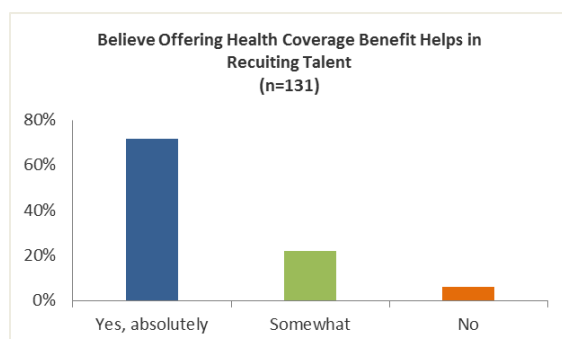
With only 11% of respondents reporting that they shop for health insurance through an insurance company's or another website, it is not surprising that a relatively small proportion of business owners (less than 18%) reported having learned 'a lot' or a 'great deal' about the SHOP through the web-based Get Covered Illinois (GCI). The greatest proportion of respondents, 38%, indicated they have learned 'nothing at all' from the GCI site.



### Perceptions about Employee Health Coverage and the ACA

As reflected in the two charts below, a majority of respondents (71.8%) reported that providing health insurance benefits helps them to recruit new employees, and that it's 'extremely' or 'very important' (93.1%) to make employer-based coverage affordable to small businesses.

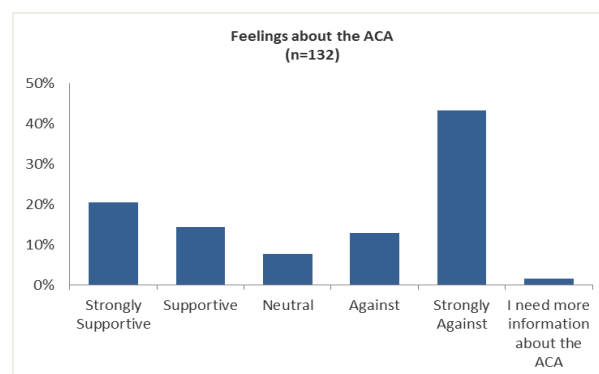




When presented with a list of ACA benefits, survey respondents identified several that they had already received. These included coverage for themselves, a child or an employee that would previously been unavailable or unaffordable due to a pre-existing condition. Yet, the vast majority of respondents, 61.4%, indicated that to they had not yet benefitted from the ACA.

Reported Benefits Received from Any ACA Provision (n=132)	
Rate review conducted	1.5%
My company has received the Small Business Tax Credit	4.5%
My child has a pre-existing condition and can now get insurance	6.1%
I received a rebate check from my insurer (80/20 rule)	6.8%
I am not a business owner	6.8%
My employee has a pre-existing condition and can now get insurance	9.8%
I have a pre-existing condition and will now be able to get insurance	13.6%
My premiums have stabilized or gone down	18.2%
My child can stay on my plan because he/she is not yet 26	20.5%
To my knowledge I have not benefitted from the healthcare law yet	61.4%

When asked how they felt about the Affordable Care Act, over half of respondents reported that they were either 'against' or 'strongly against' it (12.9% and 43.2% respectively). Far fewer respondents indicated that they were 'strongly supportive' (20.5%) or 'supportive' (14.4%).



When provided the opportunity to explain their feelings about the ACA, 99 responses were given, many of which contained multiple reasons. The majority of negative statements about the ACA concerned the costs of health insurance, mentioned 45 times. Many respondents simply indicated that their costs had increased, while others added that while costs had increased, the amount and quality of care had declined. Some noted that medical providers won't accept their 'ACA coverage.'

*"Seems like the State has been slow to release information. Insurers are asking for early renewals for discounts, but rates may change again. Confusing and time-consuming for a company my size."*

A number of respondents expressed frustration over the complexity of the ACA and the ensuing confusion that has caused them. Others wrote about the additional regulations, and related reporting requirements, some specifically complaining about government intrusion.

From those who felt favorably about the ACA, there were 20 comments provided. Many respondents simply noted that it made them feel proud and, in some cases, relieved to be able to provide health insurance to their employees.

Several others noted some type of business benefit, including an increased ability to

attract talent to their small businesses, and no longer worrying about costs going up if an employee gets sick. It was also noted that the ACA enables people to own or work for a small business and not feel forced to work for a large corporation in order to

*“Low-wage employees now have an option to get health insurance. Healthy employees are more productive and too often they couldn’t afford insurance.”*

gain health insurance. One respondent attributed his/her ability to own a small business to the ACA as it has provided an otherwise unavailable opportunity for health care coverage. Finally, one respondent did indicate that the ACA has reduced his/her business costs.

### ACA Information and Services Needed by Small Businesses

Two questions on the survey sought information about what information and services respondents would like to receive. The first, summarized in the table below, asked respondents to rank order identified issues on a scale of one to seven, with 1 representing the greatest need.

Most Importance Services the Small Business Marketplace Could Provide (n=112)	
Identified Service	Average Rank
Receiving clear information about health insurance options for employees	2.54
Being guided through the health insurance plan selection process	3.37
Being able to send employees to the SHOP for answers to their health insurance coverage questions	4.13
Being able to select from different benefit plan designs	3.97
Billing and finding out information about the quality of the insurance carrier and providers	5.05
Clear explanation of costs, options and providers offering services in the SHOP	4.51
They're all equally important	5.11
None are important	7.32

Consistent with concerns described above about the complexity and confusion about the ACA, at the top of the list, respondents expressed a desire for clear information about employee health insurance options.

They also want in-person assistance to guide them through the health plan selection process.

When asked if there was any information about health insurance and the ACA that they would like to learn more about, respondents identified a range of issues. In the broadest sense, a desire was expressed for more complete information about the ACA and what the law means for small businesses. It was noted that the information available from trade associations was at times biased and incomplete, with an emphasis on scaring small business owners. One respondent pointed out that he/she did not even know the SHOP existed and wondered why the State, which has contact information for small business owners, had not yet reached out with information.

Several respondents wanted information about how the ACA benefits small businesses, with a particular emphasis on financial savings. But the most frequent responses concerned the desire for more information about specific coverage options available for small businesses, including how and where they might compare plans.

### Moving Forward

In the aggregate, the survey responses provide a clear direction for next steps in reaching small businesses.

- **Small Business Owners Need and Want More and Easy to Understand Information**

Responses to both closed and open-ended survey questions pointed to a strong need for fact-based, but clear and simply stated information about the ACA. Respondents find the available information to be

incomplete, biased, or simply too complex to inform sound decision-making.

While a most respondents reported that they currently provide health insurance to some or all of their employees, 57% were not taking advantage of the small employer tax credit, and over 30% were not sure if they were receiving that benefit.

Information should be provided so that small businesses are aware of the tax credit and how they might take advantage of it.

While information will at times need to be provided in small group or one-on-one settings, a broader, targeted outreach effort by the State would be a welcome step for small business owners.

- **Insurance Brokers are Key to Successfully Engaging Small Businesses**

While the internet and media were useful for increasing awareness of and demand for the Illinois Health Insurance Marketplace, the survey suggests that these modes of communication will not be successful in reaching small business owners. Just over half of respondents indicated they receive health care information from an insurance broker and over 80% report that they typically use a broker or agent when shopping for health insurance.

- **Success Stories Need to be Shared**

A large majority of survey respondents believe that offering employee health benefits helps them attract talent to their small businesses. But information provided by the relatively small sample size of this survey suggests that benefits of employee-based coverage go beyond attracting talent alone. A concerted effort should be made to document the success stories of the small businesses that provide health insurance as well as the stories of their employees. This

information should then be shared with those small businesses that have not yet decided to provide coverage as well as with the public.

- **Individual Coverage is an Acceptable Option**

It should be recognized that for some small businesses, the provision of employee health benefits may simply not be possible. Outreach and education efforts should acknowledge this reality and, in those cases, focus the small business owner on helping their employees purchase health insurance through the Illinois Health Marketplace or Medicaid.

A greater connection between brokers and health insurance agents and the State-funded navigators is needed to best serve small businesses. Since Medicaid (or in the case of veterans, Tricare) may be the best path to coverage for some employees, information on how to enroll in this program is critical. For example, workers with disabilities can enroll in a Medicaid program called Health Benefits for Workers with Disabilities to cover specific disability-related health needs that can wrap around a plan purchased either through the SHOP or the Health Insurance Marketplace. State-funded navigators have received training on the full range of programs available through the state of Illinois and can work with brokers to ensure that these coverage options are considered.

## **Conclusion**

With generous support from Chicago's philanthropic community, Health & Disability Advocates has been working to increase the capacity of health insurance brokers to support small businesses in providing health benefits for their employees. The findings of this survey



confirm that while this is the correct direction, much work remains to be done.

HDA knows that success in this area will require the engagement of a diversity of key partners. In Chicago, the Small Business Assistance Center at the Chicago Department of Business and Consumer Protection has provided a mechanism for reaching small businesses both directly and through the more than 80 local chambers of commerce.

HDA has also partnered with the Illinois State Association of Health Underwriters to develop an on-line forum for brokers to obtain expert responses to their questions about the SHOP and other ACA related issues, and to connect with one another to share their experiences. “Brokers on Board” will be live before the end of 2014. There are myriad opportunities across the Illinois to reach out to small businesses. The State maintains contact information on all licensed businesses and should use that information to provide both basic introductory information about the SHOP and to engage small businesses in enrollment events.

Over 600,000 Illinois residents enrolled in health insurance since the first ACA open enrollment period, however, more than two-thirds of those served received coverage through the expanded Medicaid program.

For the full potential of both the SHOP and the Marketplace to be realized, a concerted effort focused on small businesses and the working poor is required.