

# La Fe Policy Research and Education Center



*Promoviendo Bienestar para Familias y Comunidad con Conocimiento, Confianza y Poder  
Promoting Family and Community Well-Being through Knowledge, Trust and Empowerment*

## **Small Business Perspectives and Priorities for Health Care Reform**

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**Introduction**

Healthy and sustainable businesses are built on a vision with a solid plan, strong implementation process of that plan, and the management skills to build the sustainability of that business. But under today’s economic climate, among the biggest challenges to sustainability of any small business is the rising cost of health care.

La Fe Policy Research and Education Center (La Fe PREC) conducted data gathering and analysis to identify the health care reform perspectives and its potential impact on their business clients. The data was acquired from a client survey, and a Focus Group survey and discussion.

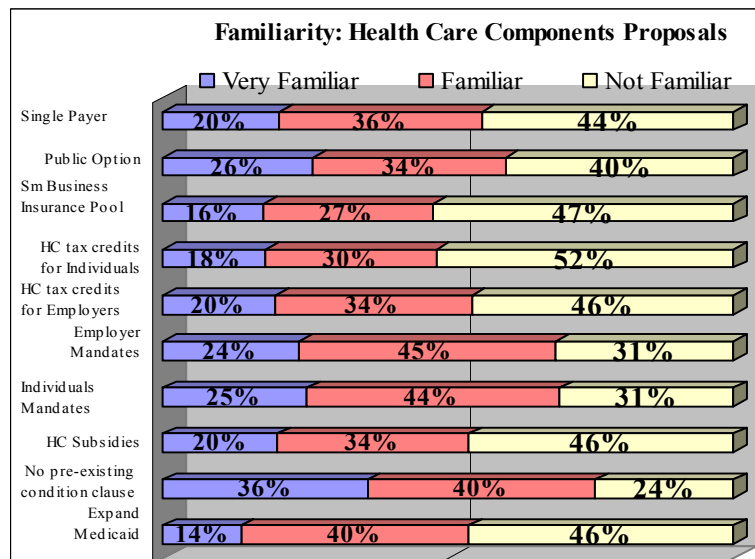
**Client Survey**

The summary below is from 108 completed surveys by Texas Small Businesses. The summary reflects their health care perspectives and level of knowledge of current health care reform proposals.

Under the current economic conditions, it was not surprising that respondents identified the economy and job (83.5%) and affordable health care (82.5%) as the dominant major issues of concern. While, social security (45.4%) was third as priority issue, other concerns included crime, violence and safety (35.1%) and the Iraq and Afghanistan wars (24.7%).

When respondents were asked a series of health care coverage values questions, over one-half of the respondents believed health care is a “right” (54.7%) and also a “shared responsibility” (36.8%). For 68.4% of respondents, the financial responsibility of providing health care is a shared responsibility among individuals, employers and government. Respondents also indicated that they “strongly agreed” that providing health care coverage was important to their ability to recruit and retain employees (53.6%), improve productivity of the business and employees (44.8%), and their business success (38.8%).

Although health care is a very salient issue for respondents, many indicated that they were not familiar with many of the health care reform proposals in Congress. Responses suggested that there was no correlation between familiarity with proposals or “lack of” and the favorability rating for proposals. For example, respondents were “Not Familiar” with proposals to expand Medicaid, include public option, provide public subsidies to individuals to buy health care or develop larger scale insurance pool for small business but “strongly favored” or “favored” these proposals.



Other proposals that were “strongly” favored by respondents spoke to efforts to eliminate barriers to health care coverage via imposed regulatory measures prohibiting coverage exclusions such as pre-existing conditions or a focus on prevention. While eliminating barriers to coverage was important to respondents, they did not favor health care mandates for employers or individuals.

**Favorability Rating of HC proposals (%)**

	<b>Strongly</b>	<b>Somewhat</b>	<b>Don't</b>	<b>Not Sure</b>
Expand Medicaid	<b>41.5%</b>	31.9%	14.9%	11.7%
No Pre-existing conditions clause	<b>61.1%</b>	26.3%	9.5%	3.2%
No age & gender discrimination	<b>62.1%</b>	25.3%	11.6%	1.1%
Focus on Prevention	<b>75.8%</b>	21.1%	3.2%	0%
Expand Medicare (55+)	<b>52.1%</b>	19.1%	16%	12.8%
Individual Mandates	21.5%	29%	<b>36.6%</b>	12.9%
Employer Mandates	19.1%	29.8%	<b>40.4%</b>	10.6%
Employer contribute to gov't fund for HC	15.1%	29.6%	<b>39.8%</b>	18.3%
Sm Business Ins Pool	<b>61.1%</b>	30.5%	4.2%	4.2%
HC Tax Credits for Individ	<b>60.6%</b>	28.7%	5.3	5.3%
Public Option	<b>53.2%</b>	21.3%	19.1%	6.4%
Single Payer	<b>30.9%</b>	23.4%	29.8%	16%

Among respondents over one in two (57.3%) were currently covered under a health insurance plan and approximately 12% provided coverage to their employees (87.6% didn't provide Employer Sponsored Insurance). When asked where they received health insurance information to aid coverage decisions, the majority of respondents indicated from insurance companies (60.2%) followed by other sources (44.1%) and business networks colleagues (17.2%).

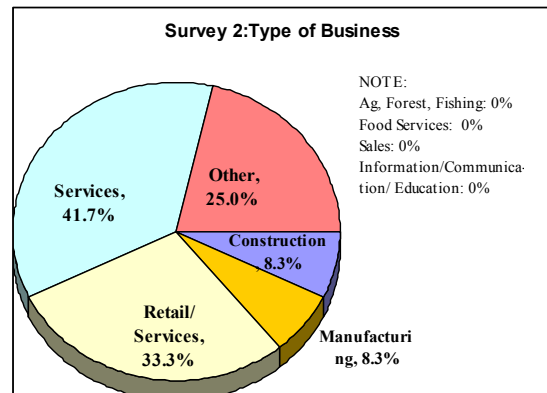
**Client Survey Highlights -**

- Respondents had a lack of familiarity of the health care proposals currently in Congress but a strong level of support for proposals that eliminate barriers to coverage or increase access to affordable health care.
- Strong support for expanding government programs such as Medicare and Medicaid as means to achieve health care reform.
- Over half of respondents had health insurance but only about 12% were able to provide it to employees.
- Strongly valued providing health insurance coverage as tool for sustainability and productivity of their business.

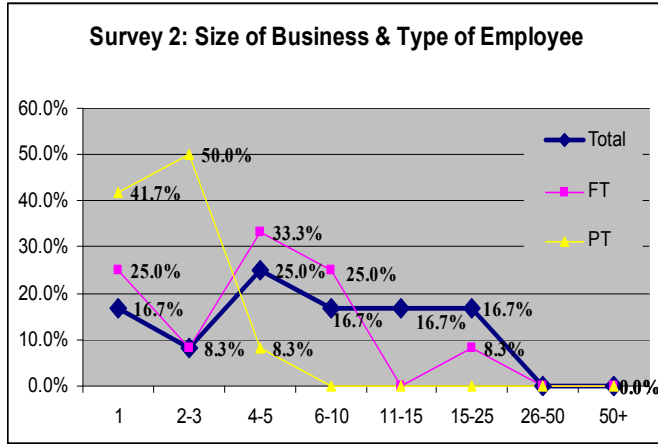
**Focus Group Survey**

Prior to the implementation of a focus group discussion, invited participants were asked to complete a survey. Twelve of 15 invited participants responded. The information collected yielded a baseline profile of focus group participants.

The survey revealed that the Services (41.7%), Retail Service (33.3%), and Other category (25%),



best reflected the type of businesses owned by respondents. The size of the businesses among participants ranged from four to 25 employees, and employed a mix of full-time and part-time employees. For the majority of businesses, they had no more than 10 full-time employees, and 50% had at least 2-3 part-time employees.



A description of employee wages reflected hourly employees who earned less than \$10 hr (33.3%) or salaried (25%). Among full-time employees, the average annual salary of these employees ranged from \$20,000- \$25,000 (45.5%) or \$25,000- \$50,000 (36.4%). Interestingly, two-thirds of full-time employees were more likely to work in a business with 4-25 employees. Responses also revealed that annual payroll for most was likely to be less than \$500,000, with over half under \$150,000.

Similar to the client survey, focus group survey respondents did not provide health insurance coverage to employees (83.3%) primarily because it is not affordable (81.8%), but did indicate some employees receive public assistance such as CHIP (41.7%), and Food Stamps (17%).

A closer analysis of the responses revealed a series of correlation and surprises. Regardless of the annual payroll of business, most employees still earned an hourly wage less than \$15. Businesses with higher annual payroll had a larger number of employees who earn an hourly wage less than \$15. This was similar for clients who had annual payroll of less than \$150,000 who too had employees who earned less than \$15 hour. Apart from the low annual payroll of less \$150,000, these businesses had a minimum of 4-10 employees and at least 1-5 part-timers. All businesses across annual payroll did employ some salaried employees.

Assessing the level of knowledge regarding the purchase of health insurance, 41.7% felt “very comfortable” discussing and evaluating plans compared to other respondents who were not as comfortable (fairly comfortable-25%, fairly uncomfortable-25%). Surprisingly, businesses with the smallest annual payroll (less \$150,000) were most likely to feel very comfortable with discussing and evaluating plans although they did not provide coverage. Over the last 12 months, respondents ranked the health of their employees as good, very good or excellent.

**Focus Group Survey Highlights-**

- Most respondents had four to five employees, in the Service industry, and with an annual payroll salary of less than \$500,000 with employees earning less than \$15 hourly.
- Businesses were likely to have a mix of full and part time employees.
- Health insurance coverage was unaffordable for most of the respondent businesses.
- Significant amount of respondents felt comfortable assessing health insurance plans.

**Focus Group**

On Nov 12th, 2009, eleven participants from San Antonio, Dallas, Houston, Edinburg and El Paso took part in a health care reform focus group conducted by La Fe PREC facilitation team.

Participants dialogued on challenges, solutions and their concrete ideas to attain affordable health care for small businesses.

Over the two hour long dialogue, participants conveyed the often frustration in their efforts to acquire affordable health care coverage for their business. The **primary barrier to acquiring health care coverage was the high unaffordable cost for health insurance.** The response echoed both the client and focus group on-line surveys. Similarly, both the focus group and survey respondents felt that paying for health care coverage was a shared responsibility of both employer and employee.

The Focus Group participants identified low take-up rate by employees which created additional challenges to acquire or maintain affordable coverage, or in some cases to be even eligible for health plan coverage. The participants felt that plan participation requirements by insurance companies and their inability to pool with other small businesses resulted in a lack of negotiating power to access affordable coverage and contributed to increased cost.

Further, participants conveyed that when employee contributions were perceived unaffordable to them they opted to decline participation or dropped out of their Employer Sponsored Insurance (ESI) plan. Concurrently, the employees felt it was more advantageous to keep any potential employee contribution to cover the costs of doctor visits when necessary, and to enroll their children in program like CHIP if eligible. These issues all added to the challenges to access affordable health insurance coverage, and if acquire to keep premiums low to continue coverage.

From a business perspective, participants did express they felt it was essential to provide health coverage to their employees. But, due to skyrocketing cost of health care premiums it was more often not possible or manageable. Where ESI was provided, it accounted for 10% or more of the business operating budget, calling to question how long they could continue to provide coverage under ever-increasing costs.

Aside from the cost of health insurance coverage, participants articulated the challenge of evaluating complex health care plan options. Participants communicated a need to have access to more information, tools to help evaluate plans, and advice on which plan are best for their business and employees. This Focus Group responses differed compared to the survey where a significant amount of respondents felt very comfortable evaluating health care plans.

When participants were asked **what they would like their health insurance to cover** the majority spoke to an increased focus on providing a baseline of services at low cost; and more transparency by health insurance companies. Benefits identified for inclusion in a comprehensive low-cost plan are:

- Focus on prevention
- Routine 6 month check-up or set amount of doctor visits at no cost
- Low-cost prescriptions
- Lab work
- Vision
- Dental

- Eliminate pre-existing conditions

All the participants were of the opinions that by lightening the financial burden of health care from the consumer (employer and employee), that individuals could focus on being proactive in taking care of themselves.

The participants desired much more transparency in costs and in the type of services provided to them. Too often participants felt they were unclear on what their premiums covered, the real cost of services, and the amount paid out to administrative cost or other non-health related items.

Regarding recommendations for concrete health care reform changes, participants expressed the need to aid small businesses in affording health care coverage. In particular, they would like negotiating and purchasing power to purchase affordable health insurance coverage. Thus, they supported the call for the development of more insurance pools for small businesses and reducing their high administrative health insurance cost as means to negotiate rate and have more purchasing power. While others, also recommended imposing or setting a cap on cost of health care based on business size.

There was near unanimous support for stronger regulation of the health insurance market, not only to increase competition but also to improve access and manage cost. They were unanimous in their call to eliminate pre-existing conditions, i.e., it was essential to improve health care access for their employees. The participants identified the Public Option and the ability to purchase coverage across state lines as tools to increase competition in the health care market.

Indeed, support was very strongly expressed for inclusion of a Public Option in the current health care reform proposals. They felt it was a critically important tool to lower and control health care costs. In their view, health care costs have become unsustainable for all stakeholders. While most did not support any employer mandates, they nonetheless felt government must be involved in helping control health care costs.

Finally, they all would like more information on the health care reform proposals as they realize they are not as well informed as they would like to be.

#### **Focus Group Highlights-**

- Participants believe the health care system is broken and reforms are needed now!
- Participants had strong support for increased regulation of the health care market and the Public Option.
- Health care reform must support small businesses to access affordable health insurance coverage.
- Most participants do not support employer health insurance mandates, or at best very cautions about them because it would hurt their business.

**Conclusion:**

As innovators, risk takers and the foundation of a strong economy, small business are feeling the brunt of economic woes and the health care crisis. Everyday, businesses are making the hard choices that appear to go against their values to provide health insurance coverage because it is simply not affordable. These hard decisions are impacting their ability to build long-term business sustainability and shaping their perspectives on health care.

For the small business clients participating in the preceding surveys and Focus Group discussion, we can reasonably conclude that these business owners need and are ready for real health care reform. Counter to current positions of some large and small business associations, many of these participants were open to and in support of a larger government role in health care, an expansion of current public programs, and the inclusion of a Public Option. These participants want to play a larger role in their health care decisions and are seeking more resources to accessible and accurate health care reform and health insurance information.

Based on the preceding results, all current proposals in both the House and Senate would provide some mechanism for acquiring affordable health insurance coverage for these Texas participants. Specifically, among those with less than 25 employees and payroll less than \$500,000 annual would be positively impacted by the various proposals highlighted below:

<b>Subsidy</b>	<b>Senate HELP:</b> \$1000 for individual and \$2000 for family for up to 3 years
	<b>Senate Finance:</b> Less than 10 employees with annual wage of \$20,000 full tax credit(100% ) and less than 25 employees with annual wage of \$40,000 up to 35% credit
	<b>House:</b> Less than 10 employees with annual wage of \$20,000 tax credit of 50%
<b>Mandate</b>	<b>Senate HELP:</b> Employer Mandate requiring 60% contribution to premiums. Businesses with less than 25 employees are EXEMPT. Penalty- \$750 per uninsured FTE/ \$375 per uninsured PTE.
	<b>Senate Finance:</b> No Employer Mandate
	<b>House:</b> Employer Mandate requiring 72.5% contribution to premiums. Small Businesses with annual payroll of less than \$500,000 are EXEMPT
<b>Public Programs</b>	<b>Senate HELP:</b> Expand Medicaid to 150% FPL
	<b>Senate Finance:</b> Expand Medicaid to 133% FPL
	<b>House:</b> Expand Medicaid to 150% FPL
<b>Public Option</b>	<b>Senate HELP:</b> YES
	<b>Senate Finance:</b> NO
	<b>House:</b> YES
<b>Insurance Pools</b>	<b>Senate HELP:</b> American Health Benefits Gateway
	<b>Senate Finance:</b> Small Business Health Option Program
	<b>House:</b> The Exchange
<b>Insurance Reforms</b>	<b>Senate HELP:</b> Impose same insurance market regulation-guarantee issue, premium rating, prohibition on pre-existing condition exclusion and plan rescission in individual and group markets
	<b>Senate Finance:</b> Impose same insurance market regulation-guarantee issue, premium rating, prohibition on pre-existing condition exclusion and plan rescission in individual and group markets
	<b>House:</b> Yes see below

**For more information:**

House Affordable Healthcare for America Act- <http://www.speaker.gov/newsroom/legislation?id=0327>  
Obama Administration- <http://healthreform.gov/reports/smallbusiness2/index.html>  
Comparative of all bills- <http://www.kff.org/healthreform/sidebyside.cfm>