

SMALL BUSINESS AND HEALTH INSURANCE: ONE YEAR AFTER ENACTMENT OF PPACA



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1201 "F" Street, NW
Suite 200
Washington, DC 20004
nfib.com

EXECUTIVE SUMMARY

- One year after passage of the Patient Protection and Affordable Care Act (PPACA), 42 percent of small employers – defined as businesses employing 50 or fewer people other than the owner(s) – offer employee health insurance. In the last 12 months, 1 percent of offering small employers added health insurance as an employee benefit while 4 percent of non-offering employers dropped it.
- The number of small employers offering employee health insurance is likely to change little over the next 12 months. Virtually no small employer now offering expects to drop health insurance in the next year and virtually no non-offering employer expects to add it in that time frame.
- Twenty (20) percent of small employers currently offering expect to significantly change their benefit package and/or their employees' premium cost-share the next time they renew their health insurance plans. Almost all significant changes expected involve a decrease in benefits, an increase in employee cost-share, or both.
- Since enactment, one in eight (12%) small employers have either had their health insurance plans terminated or been told that their plan would not be available in the future. Plan elimination is the first major consequence of PPACA that small-business owners likely feel.
- Eighteen (18) percent of small employers think they are “very familiar” with PPACA and another 40 percent think they are “somewhat familiar” with the new law.
- By overwhelming margins, small employers who have some knowledge of the new law think that PPACA will *not* reduce the rate of health care (insurance) cost increases, will *not* reduce the administrative burden, will increase taxes, and will add to the federal deficit. They agree that PPACA will result in more people having health insurance coverage, but do not think it will yield a healthier American public.
- The principal factor explaining the PPACA outcomes that small-business owners expect is their current offer/non-offer status. Those offering employee health insurance are notably more pessimistic about the new law's projected outcomes. Neither the degree of familiarity with PPACA nor employee size-of-business is associated with their expected outcomes.
- Low-wage employees, particularly those experiencing a large premium cost-share, have a powerful incentive to bolt an employer's health plan for the newly established and heavily subsidized exchanges. Should employees begin to leave for an exchange, 26 percent of currently offering small employers are very likely to explore dropping their health insurance plans and another 31 percent are somewhat likely to do so.
- A key factor in a small employer's decision to drop a current health insurance plan will be the proportion of employees who leave their health plan for an exchange. Forty-three (43) percent report that a majority of employees would have to leave before they would drop their plan and 35 claim it would require all of them.
- An estimated 245,000 (out of 5,228,000 employers with fewer than 25 employees) are eligible for a full PPACA tax credit. Another estimated 1.165 million are eligible for the partial credit.
- The PPACA tax credit acts almost exclusively as a windfall for small employers who currently offer health insurance rather than as an incentive to encourage its purchase. Considering eligibility and awareness issues, the full credit incents, but does not necessarily change behavior, of only about 2 percent of small employers having fewer than 25 employees.
- Fifty-seven (57) percent of small employers express interest in contributing to defined contribution-type health plans. Their interest assumes employees benefiting from their contributions receive equitable tax treatment compared to that in employer-sponsored plans.

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William J. Dennis, Jr., Senior Research Fellow, NFIB Research Foundation*

The nationally representative survey on which this report is based was conducted one year after the passage of the Patient Protection and Affordable Care Act (PPACA) in order to update small-business owner reaction to its passage, provide current projections for the adoption and elimination of health insurance as an employee benefit, and outline expected response to market and legal changes that may develop. Health insurance remains a principal issue for small employers. It likely will remain near the top of their issue list for a long time, if not for its direct impact on its provision as an employee benefit, but for its budget and tax implications. Periodic assessments of small business and its relationship to employee health care and health care financing therefore appears in order.

The survey interviews 750 small employers of firms with 50 or fewer people.¹ All survey respondents participate in making the firm's decisions on employee wages and benefits (Q#D4). More detail on the survey's conduct appears in the note below.²

One year after enactment of the Patient Protection and Affordable Care Act (PPACA), 42 percent of small, employing businesses offer employee health insurance (Q. 1). The well-known direct relationship between the number of people employed in a business and employer offers of health insurance continues with 35 percent of businesses employing nine or fewer people offering health insurance, 56 percent of those employing 10 – 19 people offering, and 80 percent of those employing 20 – 50 people doing so.

Two other important relationships involving the offer of employee health insurance appear, other factors equal. The first is average wages paid. Small employers who pay higher wages on average are more likely to offer health insurance. The phenomenon is most pronounced at the bottom of the wage scale where small firms paying an average of \$12.50/hr. or less (\$25,000 per year or less) offer in 19 percent of cases compared to 47 percent in firms paying more.

The second relationship is the tie between offers of health insurance and decline in employment over the last three years. Small firms that lost jobs over the last three years are *more* likely to offer health insurance than those who either grew or had stable employment.³ There are plausible explanations for this phenomenon. One is that small employers sacrificed employees for health insurance during the recent recession. Very few small businesses offering health insur-

* denny.dennis@nfib.org

¹ Fifty (50) employees was chosen as the small-business size boundary for current survey purposes. The boundary distinguishes employers who must and need not offer employee health insurance. Unfortunately, the employer mandate in PPACA fails to distinguish between firms with 50 or fewer employees and firms with fewer than 50 employees for the law's purposes. Consecutive sentences define small business differently. (See, Sec. 1513(c)(2)(A and B)\4980H IRC for example.) Given the law's confusion, 50 employees or fewer was selected as the survey's delineation point on the grounds of simplicity.

² The data for this report were drawn from a nationally representative telephone survey of small employers during the latter part of April and the first half of May, 2011. The survey was conducted for the NFIB Research Foundation by the polling firm Mason-Dixon, Inc. of Columbia, Maryland. The sample was drawn from the files of Dun & Bradstreet with small employer defined as those employing 50 or fewer people other than the owner(s). The survey has a ± 3.7 margin of error.

³ On a bi-variate basis, small firms that did not change employment are least likely to offer with growing firms somewhat more likely. Those with lost employment are most likely to offer. However, controlling for employment size and average wages, and placing employment change on a three-point scale leads to a negative relationship between employment growth and health insurance offers.

ance eliminated the benefit in the last year as will be noted shortly, presumably a reflection of events in the prior two years as well. When cost cuts were required, some employers apparently let employees go (or left vacant positions unfilled) rather than eliminating insurance for everyone. That behavior is equivalent to eliminating jobs in lieu of across the board salary reductions, a common practice by employers of all sizes. A second plausible explanation for the relationship between health insurance offers and declining employment is that firms were able to grow or at least remain stable because they did not have the substantial and growing outlay for employee health insurance; they used those dollars for other things, such as expanding employment or stabilizing a rocky sales performance.

Participants in the Plans Offered

Fifty-five (55) percent of small employers who offer health insurance claim that all of their employees participate in their plan; 44 percent report less participation (Q. 1a). The former figure rises to 72 percent when firms with part-time employees are excluded from the calculation. Those who claimed less than 100 percent participation had a median of about 53 percent participation, 60 percent in firms with nothing but full-time employees.

The percentage of those with 100 percent participation intuitively seems high. Since the survey asked about participation and did not mention eligibility, there is a possibility that the two concepts were confused. The potential effect of any confusion is likely to increase the percent of participation. However, Employee Benefit Research Institute (EBRI) calculations from Current Population Survey (CPS) finds that 25 percent of employees in 1 – 9 employee-sized firms, 36 percent in 10 – 24 employee-sized firms and 50 percent in 25 – 99 employee-sized firms obtain insurance coverage from their own job.⁴ Translating the data from firms to employees suggests a modest amount of confusion occurred and the survey estimates are somewhat high. For example, employees having their own health insurance in firms with fewer than 10 employees are closer to one-third here than EBRI's calculated one-quarter. Regardless, when small employers offer, their employees typically participate.

Part-Time Employees

Part-time employees are often not eligible to participate in health insurance plans. Fewer than one in nine small-business employees in offering firms are part-time, defined as less than 30 hours per week. In contrast, part-timers are more common in non-offering firms, somewhat over one in five. About one in three (32%) offering firms with part-time employees allow them to participate. Those numbers translate into 12 percent of all offering firms (Q. 1b).

Cost-Shares

It is well-known that substantial numbers of small employers pay the entire premium for their employees' health insurance. The current proportion is 47 percent (Q. 1c). Another 5 percent pay between 75 and 99 percent of the premium with 34 percent kicking in between 50 and 75 percent. No deviation by firm size (among the three size classes under 50 employees) appears.

Twelve (12) percent of small offering employers contribute less than 50 percent of the premium with the overwhelming number (10 percentage points) contributing nothing. This latter percentage of small employers presumably sponsors the group, but participants pay for it all.

Seventy-three (73) percent of offering firms provide a family option (Q. 1d). The employer share of the premium for family coverage is much less than for individual coverage. A significant portion (30%) of small employers also pays the total premium for family coverage (Q. 1d1), meaning that 9 percent of all small-business owners pay the entire health insurance premium for their employees as well as for their employees' families. Still, an even larger proportion (42%) pays nothing toward family coverage. Remaining employer contribution shares are distributed in a bell-shaped curve between the extremes with 23 percent kicking in 25 - 75 percent of premium for family coverage.

The most common combinations of premium cost-sharing among small employers offering both individual and family coverage are as follows: 30 percent pay the entire premium for both; 20 percent pay 50 – 75 percent of individual coverage and nothing for family coverage; 12 percent pay 100 percent for individual coverage and nothing for family coverage; and, 7 percent sponsor both, but contribute nothing to either. Distribution of the remaining 31 percent varies widely.

Personal Health Insurance

Seventy (70) percent of small-business owners who offer employee health insurance participate in their firm's plan (Q. 2). Managers, who are not owners, participate in the firm's plan with the same frequency. Effectively, 29 percent of small-business owners obtain their personal/family health insurance from a different source. Virtually all offering owners are personally insured.

⁴ Paul Fronstin, The Impact of the 2007-2009 Recession of Workers' Health Insurance Coverage, EBRI Issue Brief No. 356, April, 2011.

The businesses of those small employers who participate in their firm’s plan are likely to pay a somewhat larger share of the individual premium, offer a family plan, and pay a larger share of the family premium. These relationships suggest that the owner’s personal participation may sweeten the benefit for all participants. However, no relationship appears between the size of a small business and the propensity of the owner to participate in the firm’s plan, likely implying that the owner’s personal situation is insufficient to initiate a plan except possibly among the very smallest.

Change in Health Insurance Offers

The number of small employers offering employee health insurance has not changed appreciably in the last 12 months, the post-PPACA passage time frame. About 1 percent of those who now offer health insurance claim that they added it as an employee benefit within the last year (Q. 3). In contrast, 4 percent of those now without employee health insurance dropped the benefit in the same time frame (Q. 3a). These changes are relatively small, a net decline of about 2 percentage points over a 12-month period. The numbers are also subject to sampling error. Still, a constant change of that magnitude over an extended period leads to significant erosion of employer provided health insurance. And, that is what has occurred over the past decade. Both the Medical Expenditure Panel Survey (MEPS) and the Kaiser Family Foundation survey document declines of about 10 percentage points in 10 years or about one-half million firms.⁵ The data presented here document continuation of the longer-term trend.

Small-business owners forecast no major changes in the number of small firms offering employee health insurance in the next year. Thirty-four (34) percent of small employers say that it is “very likely” that they will offer the benefit next year at this time with another 10 percent saying they are “somewhat likely” (Q. 6). In comparison, 37 percent report they are “not at all likely” and another 18 percent are “not too likely”. Combining percentages of the “likely” group (44%) and the “not likely” group (55%) yields a division almost identical to the current 42 – 58 percent offer/not offer split.

Not only should we expect no change in health insurance offers during the next year on a net basis (percent adopting minus percent dropping), we should also expect virtually no change on an individual per firm basis. Those who currently offer employee health insurance are likely to have the benefit 12 months from now and those not offering employee health insurance are not likely to offer it in the coming 12 months. However, the former possess more unwavering intentions than do the latter. Seventy-nine (79) percent of those currently offering insurance say that it is “very likely” they will still offer the benefit next year at this time while another 9 percent say that it is “somewhat likely” (Table 1). That leaves 12 percent who may drop health insurance, though just 2 percent indicate that having the benefit next year is “not at all likely”.

Small employers not currently offering health insurance are somewhat less certain of their next year’s offering status, though the overwhelming sentiment suggests little overall change among that group as well. Sixty-three (63) percent of those not offering say that it is “not at all likely” they will offer employee health insurance next year at this time and 24 percent say that it is “not likely” (Table 1). Twelve (12) percent express some interest in employee health insurance, but just 1 percent think that it is “very likely” their firm will offer within the next 12 months. Few operating small businesses appear poised to change their current status with regard to provision of employee health insurance.

TABLE I
SMALL EMPLOYER EXPECTATIONS TO BE OFFERING EMPLOYEE
HEALTH INSURANCE NEXT YEAR AT THIS TIME BY SMALL EMPLOYERS
NOW OFFERING AND NOT OFFERING EMPLOYEE HEALTH INSURANCE

Expectations to Offer	Now Offering	Now Not Offering	All Small Employers
Very likely	79.2%	0.7%	33.9%
Somewhat likely	8.8	11.5	10.4
Not too likely	9.5	23.6	17.6
Not at all likely	1.6	63.3	37.2
DK/Refused	0.9	0.9	0.9
Total	100.0%	100.0%	100.0%
N	317	433	750

⁵ The 2010 Kaiser survey showed a one year, abrupt and sharp upturn in the percentage of small businesses offering health insurance, breaking the long-standing downward trend. Its results directly counter both the MEPS and NFIB Foundation surveys and defy easy explanation.

There is also an important unmeasured dynamic likely at play in forecasting the overall percentage that will offer health insurance 12 months from now. A significant avenue of erosion in employer-provided health insurance among small businesses may be occurring through business entry and exit. The current recessionary era has witnessed substantially more business exits than entries.⁶ That raises the question, what proportion of those exits offer health insurance in contrast to the proportion of entries that do? No one knows. Data from this survey indicate that small employers currently with health insurance frequently obtained it in their first year of business. Comparing the reported length of business ownership to the reported length of health insurance provision yields 42 percent of currently offering small firms that tendered the benefit from the beginning (Q. 4). Another one-quarter did not, but the final one-third could not recall when they first purchased employee health insurance. While it seems more likely that someone would recall an initial purchase in their first year than in a subsequent year, a proportionate distribution of the non-respondents suggests about 58 percent of the offering population (or 25% of the total population) had a plan in the first year they employed people. This does not mean that 25 percent of new businesses offered the benefit when they took on their first employee; it means 25 percent of *survivors* did. Since it is known that larger, better capitalized starts are more likely to survive,⁷ it is highly likely that the proportion offering employee health insurance from the start is substantially less than one in four. Further, no one knows whether that number is changing. But considering a general erosion of small business plan sponsorship and the comparatively few net firms dropping the benefit, it is likely that fewer entering firms either offer the benefit or initially offer it later in the firm's existence than heretofore. Should that apparent trend accelerate, and there is every reason to believe it will given the subsidies in the exchange (see, *Flight to the Exchanges*, p. 10), no entering firms, except those paying the highest wages, will initially offer health insurance. And, with the competitive need and "it's the right thing to do" reasons to offer blunted by subsidized employee access through the exchanges, there is little reason to subsequently adopt it. The constant churn in new businesses, therefore, will not only help insure a large share of young firms will never offer, but it will also create competitive pressures for existing businesses to take the same route. Over time the combination of churn and subsidies may lead to virtual eradication of direct offer among this group of businesses.

Expected Changes in Content of Plans Offered

Despite few small employer intentions to change their health insurance offer status in the next 12 months, 20 percent currently offering expect significant changes in the plans they offer when those plans come up for renewal; another 17 percent are not sure about significant changes (Q. 7). Virtually all of the expected changes will adversely impact employees. For example, 35 percent anticipating significant changes intend to reduce benefits and increase the employee cost-share in the next 12 months (Q. 7a); 31 percent intend to reduce benefits, but will not increase employee costs; and 23 percent do not expect to change benefits, but will increase the cost-share. Just 6 percent will take actions which in combination can be construed as advantageous to employees. However, given the limited number (n=62) responding to the question, the salient point in these data is that significant change typically is not good news for employees.

The considerable changes expected are in part prodded by plans that have effectively been eliminated by insurers. One of the great "promises" of PPACA supporters was that insured people would be able to keep their current health insurance plan. As a practical matter that has not been true for a substantial number of small employers and their employees. Since enactment, one in eight (12%) small employers have either had their health insurance plans terminated or been told that their plan would not be available in the future (Q. 5). But the loss of a specific plan is not necessarily tied to a significant planned change in the composition of its cost/benefits. About 90 percent of those who intend to make significant changes in their plans have not had them eliminated (or scheduled to be eliminated).

Expected significant change in a small business's health insurance plan is associated with change in business profitability over the last year (Table 2). Owners of businesses that are increasingly profitable are likely (74%) to anticipate no change in the cost/benefits of the health insurance they offer their employees, though some (21%) remain undecided. Just 5 percent of the increased profitability group anticipate major changes. The opposite is also true. Thirty (30) percent of the group with declining profitability expect significant changes and another 20 percent remain uncertain. Small employers who experienced no change in profitability from the prior year fall in the middle. Twenty-two (22) percent of them expect significant change and 7 percent are uncertain.

⁶ www.bls.gov/bdm/table_g.txt

⁷ Arnold C. Cooper, William C. Dunkelberg, Carolyn Y. Woo, and William J. Dennis, Jr., *New Business in America: The Firms and Their Owners*. The NFIB Foundation, Washington, 1990; William B. Gartner, Casey J. Frid, John C. Alexander, and Nancy M. Carter, "Financing the Emerging Firm: Comparison Between PSED I and PSED II," *New Firm Creation in the United States*. (eds.) Paul D. Reynolds and Richard T. Curtain, Springer, New York, 2009.

TABLE 2
EXPECTED SIGNIFICANT CHANGE IN HEALTH INSURANCE PLAN AT
RENEWAL BY CHANGE IN BUSINESS PROFITABILITY IN THE LAST YEAR

Expected Change Insurance Plan	Change in Profitability in the Last Year			All Small Employers
	Increased	No Change	Decreased	
Significant change	5.0%	22.1%	29.5%	19.6%
No change	74.0	70.9	50.4	63.7
Uncertain	21.0	7.0	20.2	16.7
Total	100.0%	100.0%	100.0%	100.0%
N	100	86	129	317

Tax-Advantaged Health Accounts

Medical Savings Accounts (MSAs) became a reality in 1999. Since that time variants have been added to the inventory, notably Flexible Savings Accounts (FSAs), Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs). Though the number of tax-advantaged health accounts initially grew rather slowly, 22 percent of those now offering health insurance or 10 percent of the small-employer population also offer one of these tax-advantaged plans (Q. 9). These data parallel the growth in health savings account/high deductible across the general under-65 population as recently reported by America's Health Insurance Plans (AHIP).⁸

The most common plan remains the HSA. About two-thirds of those with a tax-advantaged plan have one, though another 15 percent claim to have more than one type of these plans (Q. 9a). HSAs are likely to be present in several firms with multiple types of tax advantaged accounts.

Small employers who report their profits declined over the last 12 months are 15 percentage points less likely to have one of these plans than are those increasingly profitable or stable.

It is anticipated that PPACA will make these plans less attractive in the future. The immediate question is how that will affect small business offer rates. Will the employer dollars made available for those plans be made available for other employee health purposes or will they be redirected or even retained by the firm? Small employers have increasingly become accustomed to these plans. A healthy supply of them could therefore serve in the longer term as a launching pad for growth of defined contribution-type health plans, another possible avenue of employer support for employee health insurance.

Information and Its Costs

Information about health insurance, health care, and similar matters is an important resource for small-business owners as is exhibited repeatedly throughout these pages. Few owners have a detailed understanding of these substantive topics, putting them in difficult straits when making costly decisions about such matters. Just 12 percent of small employers say that they are "very confident" they are obtaining adequate information about employee health care, health insurance, and the most recent legislative developments about them (Q. 15). Another 28 percent say they are "somewhat confident". Thirty (30) percent are "not too confident" and 29 percent are "not at all confident". However, with health insurance packages increasingly standardized and choice increasingly limited, in large part due to PPACA, the information needs of small employers are declining.

Small employers currently receive a substantial share of their information on health insurance from insurance agents and brokers.⁹ Information is a cost that few small-business owners pay directly.¹⁰ Instead, they pay that information cost through their insurance premiums. PPACA's cap on insurer administrative expenses may change that. The

⁸ <http://www.ahipresearch.org/pdfs/HSA2011.pdf>

⁹ Eighty-seven (87) percent of small employers contacted at least one agent or broker the last time they shopped for health insurance. Typically, they consulted more than one. See, Purchasing Health Insurance, *National Small Business Poll*, (ed.) William J. Dennis, Jr., NFIB Research Foundation, Washington, Vol. 7, Iss. 3, 2007. Seventy-nine (79) percent of offering small employers report their most recent health insurance purchases were directly through an agent or broker (Q. 8).

¹⁰ Advice and Advisors, *National Small Business Poll*. (ed.) William J. Dennis, Jr. NFIB Research Foundation Washington, Vol. 2, Iss. 2. 2002.

cap requires curbs on administrative expenses with agent/broker commissions a likely target of insurer expense reductions. One practical, down-stream consequence is that current small-business customers of agents/brokers likely will lose (or partially lose) the advice and assistance these suppliers now provide when customers evaluate insurance options, procure health insurance, explain benefits to employees, etc.

That loss may not occur if agents/brokers now selling health insurance can shift their source of income to other forms of business insurance sold to smaller firms. In other words, falling commissions on health insurance may be offset by added commissions on other forms of insurance. A direct offset (cost-shift) assumes that small employers purchase health insurance from the same agent or broker that they purchase their other types of business insurance, such as property and casualty. For the most part, they do not. Two-thirds (66%) who purchase their health insurance through an agent or broker claim to purchase no other business insurance from that agent/broker (Q. 8a). The remainder do. But just 4 percent purchase all other business insurance from that person while 13 percent purchase “most” and 17 percent purchase “some”. The ability of agents/brokers to directly transfer lost revenue from health insurance sales to sales of other insurance products therefore appears severely constrained. The implication is that what heretofore has been largely indirect costs for health insurance information will now become direct costs.

The larger issues are where small-business owners will obtain the knowledge about health insurance that they will need to be intelligent consumers if agents and brokers no longer have an incentive to provide it, and how will small-business owners pay for that information. These are questions that should be of general concern. The exchanges authorized in PPACA presumably will provide information. Yet, the exchanges almost assuredly cannot provide the personalized assistance now offered by the industry. The market response is likely to be creation of information substitutes, such as professional “navigators”.

The new market demands small employers become personally informed, hire or designate an employee to be informed, or directly pay someone for that knowledge. These choices create direct costs. However, that does not necessarily translate into higher total health insurance costs. The opposite is quite possible, if not likely. This lower information cost scenario is clearly abetted by government mandated limits on choice, though other consequences of those limits are much less fortunate.

The Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA) was one of the most controversial and intensely debated pieces of legislation in memory. Though not immediately, the new law impacts most small businesses and virtually all small-business owners as individuals. Twelve months after its passage, 18 percent of small-business owners claim to be “very familiar” with the highly publicized health legislation (Q.10). Another 40 percent report they are “somewhat familiar” and another 24 percent say they are “not too familiar” with it. The remainder, also 18 percent, are “not at all familiar” with the new law. This latter group is omitted from the PPACA assessments that follow shortly.

Small employers offering employee health insurance are more familiar with the new law on balance than are those not offering it. Sixty-six (66) percent of the former are either “very” or “somewhat” familiar with PPACA compared to 52 percent of the latter. Twenty-two (22) percent of those not offering are “not at all familiar” with the new law. Traditional demographic variables do little to distinguish between the more and less familiar. Even employee size-of-business, typically associated with more and less informed populations, bears only a modest relationship.

Assessing the Impacts of PPACA

The survey identified 10 potential outcomes of PPACA and asked all respondents who had at least some familiarity with the law to react to each. Evaluation of the potential outcomes was not intended to elicit value judgments about the legislation’s wisdom, simply its perceived consequences, though even these are not likely to be value free. Since the potential outcomes have varying degrees of factual basis, responses likely do not contain the same mix of fact and value.

Small employer respondents could strongly agree, agree, disagree or strongly disagree with each potential outcome. Table 3 simply produces the percent who agree (strongly and somewhat) with the potential outcome and the percent who disagree (strongly and somewhat) with it. Results appear for the population familiar with PPACA and their sub-populations of offering and non-offering small employers.

a. Small Business Concerns

The two most recognizable business issues when evaluating PPACA are measures to curb increasing health care costs and the complexity/paperwork in the revised health financing and delivery systems. Both items received decidedly negative assessments and produced the greatest unanimity among respondents of the 10 considered.

The overwhelming majority of small-business owners who have at least passing familiarity with PPACA do not think that the new health law will “reduce paperwork and make provision of health care less complex”. While complexity was



not a primary issue addressed in the legislation (or even a consideration for that matter), 79 percent do not think that less paperwork/complexity will result, 58 percent think that “strongly”. Twenty (20) percent hold the opposing view, only 2 percent “strongly” (Q. 10e). Small employers who offer are more dubious than those who do not. In fact, with a single exception, small, offering employers will assess potential PPACA outcomes differently than those who do not. And, with a different single exception will do so more strongly (intensely).

The principal small business objective throughout the PPACA debate was to reduce the rate of cost increases in health care thereby reducing the cost increases in health insurance. A stated purpose of the new law is to do precisely that. Small-business owners are skeptical. Twenty-four (24) percent agree to the potential outcome that PPACA will reduce the rate of cost increase, though just 2 percentage points “strongly agree”; 65 percent disagree, 44 percentage points “strongly disagree” (Q. 10a). While a difference of opinion appears between those who offer and those who do not, the difference is relatively small. Neither group thinks that the legislation will slow the rate of health care cost increases.

A relatively large 12 percent do not have a view on the question; they are undecided. The sizeable number likely reflects the centrality of the issue in the debate, its importance to most small-business people, confusion over the intricacies of the various provisions in the law that supposedly influence cost outcomes, and the diametrically-opposed data and argument used on the issue by proponents and opponents of the legislation. Yet, small-business owners leave no doubt that they do not believe PPACA will slow health care cost increases.

b. Budget and Fiscal Implications

Most small employers also think that the new law will increase taxes, not a pleasant thought for most. Fifty-six (56) percent “strongly agree” that PPACA will increase taxes and 21 percent “somewhat agree” for a total of 77 percent in agreement (Q. 10i). Twenty-one (21) percent do not think it will.

TABLE 3
ASSESSMENTS OF POTENTIAL OUTCOMES FROM PPACA BY SMALL EMPLOYERS
OFFERING AND NOT OFFERING EMPLOYEE HEALTH INSURANCE

Potential Outcomes from PPACA	Offer % Agree/ % Disagree	Not Offer % Agree/ % Disagree	All Small Employers % Agree/ % Disagree
1. slow the rate of HI cost increases	23/75*	24/56*	24/65*
2. improve the overall health of the American public	28/70	48/49	39/59
3. infringe on the rights of Americans	69/30	61/36	65/33
4. reduce the power of insurance companies	46/52	45/37	46/43
5. reduce paperwork and make provision of health care less complex	16/81	22/75	19/79
6. add to federal budget deficits	75/23	67/30	71/27
7. lead to a government take-over of health care	64/34	53/37	58/36
8. expand health insurance coverage to more people	68/32	77/21	73/26
9. increase taxes	79/19	75/22	77/21
10. separate doctors and patients	55/42	46/43	50/43

*Agree and disagree do not add to 100 percent because non-response totals are not presented.

Those who offer and do not offer differed in their assessment with the former taking a modestly stronger view. While it is possible that the offering group recognizes that taxes will be levied on the insured, though not the self-insured, meaning it will face proportionately higher taxes than the non-offering group (other factors equal), the more likely explanation is that they understand that a nearly \$1 trillion expenditure must be accompanied by additional taxes to fund at least some portion of it. But because small employers understand taxes must accompany such a large undertaking does not mean they think those taxes will pay for the entire legislation.

A major point of contention throughout the PPACA debate was the balance between projected expenditures and revenues. The Congressional Budget Office (CBO) dutifully produced one estimate after another showing the bill's expenditures and revenues in balance, though few believed it. Small employers did not (and do not), either. They are almost as likely to agree that PPACA will add to the budget deficit as they are that it will increase taxes. Fifty-two (52) percent of small-business owners "strongly agree" that budget deficits will rise due to the new law with another 18 percent agreeing for a total of 70 percent (Q. 10f). Twenty-six (26) percent disagree, including 2 percent who "strongly disagree". Small-business owners who currently offer employee health insurance are more likely to agree than those who do not.

c. Employee/Patient Outcomes

Two additional potential outcomes - expand health insurance coverage to more people and infringe on the rights of Americans - were evaluated almost identically. An evaluation of the first seems factually quite clear while the second is more value laden. The primary purpose of PPACA was to increase health insurance coverage. Thirty-five (35) percent of small employers having at least passing familiarity with PPACA "strongly agree" that the new law will expand health insurance coverage and an additional 38 percent agree (Q. 10h); 26 percent disagree, though it is difficult to understand why.

A gap again appears in assessment between those who offer and those who do not. Forty-four (44) percent of owners who do not offer, "strongly agree" that the legislation will extend coverage while just 24 percent of those who offer arrive at the same conclusion. Twenty-two (22) percent of the former disagree compared to 32 percent of the latter. The differences imply that both groups view the extension of coverage from a perspective of their offering status. Offerers view it from the perspective of an insurance presence; they are more likely to ignore or not recognize extension because it offers them nothing. Non-offerers view insurance from a perspective of absence; they are likely to be interested in extension because some of their employees might benefit and pressures to provide the benefit will subside.

Extension of coverage is the only potential outcome of the 10 evaluated in which the non-offering population displays stronger, more unified opinion than the offering population.

One assumes that greater provision of health insurance yields better health outcomes or an improvement in the overall health of the American public. Not all small employers agree, perhaps in part because they do not necessarily see the new law as expanding coverage. But others do not agree that expanded coverage, at least in the context of PPACA, will yield better health outcomes. About one-third of those who agree that PPACA will extend health insurance disagree with the idea that the legislation will improve the overall health of the American public. In fact, the majority of small business owners do *not* think PPACA will enhance the country's health (39%, it will; 59%, it will not, with 45% "strongly" that it will not) (Q. 10b). A sharp difference again appears between those small-business owners offering and not. Those offering agree that health outcomes will improve in 28 percent of cases and disagree in 70 percent of them; those not offering agree in 48 percent of cases and disagree in 49 percent of them.

Assessed similarly to the idea that the new law will expand health insurance coverage is the potential outcome that PPACA infringes on the rights of Americans. Since the questionnaire did not mention either the employer or the personal mandate, the point (location) of infringement is not clear. Infringement (and not) might be considered to occur at various points in the legislation. Yet, by a 65 - 33 percent margin, small-business people agree that PPACA infringes on the rights of Americans (Q. 10c). Those offering again express a stronger overall view. Of note is that 24 percent of non-offering small employers "strongly disagree" that the new law infringes on rights compared to just 3 percent of those who offer. In other words, few in the offering group totally disagree with the infringement argument used against PPACA, but almost one-quarter of the non-offering totally disagree with that assertion.

The concern over rights infringement can be associated with the fear that government will interrupt or disrupt doctor/patient relationships. Small employers do not appear as concerned that PPACA will separate patients and doctors as they are about rights infringement. They are in fact divided on the doctor/patient relationship issue. Though 31 percent "strongly agree" that the changes will drive a wedge between the two and another 20 percent "somewhat agree", 27 percent "somewhat disagree" and 15 percent "strongly disagree" (Q. 10j). Thus, the division is just 51 percent agree and 42 percent disagree.

d. The Health Insurance Industry

Throughout the debate on PPACA, a vocal minority favored a "single payer" form of health care financing. While the single payer is not necessarily a government take-over of the health care industry - delivery might remain in private hands - it could produce the same effect. PPACA gives rise to similar fears as it greatly extends government control over the health care industry. Small-business owners generally share that view, particularly those who offer. They agree that PPACA will lead to a government take-over of health care by a 56 - 36 percent margin. Seven (7) percent are not sure,

the third greatest level of uncertainty in evaluations of PPACA (Q. 10g). Those offering are more convinced, agreeing that PPACA will lead to a government take-over by a 64 – 34 percent margin with just 2 percent undecided.

While the overt purpose of PPACA is not to constrain the power of health insurance companies, the industry was clearly the target of various proposals intended to curb its discretion. Perhaps the most visible was a provision in the final legislation that limited administrative costs of insurance sold, though limitations on rate setting criteria will prove more influential. But was the health insurance industry's latitude and hence its power curbed? Small employers could not agree, likely because those issues neither had great public visibility during the debate nor held a priority for virtually any small-business owners watching, even those watching carefully. Twenty-three (23) percent of small employers "strongly agree" that the new law will reduce the power of insurance companies; 22 percent "agree"; 22 percent "disagree"; and, 22 percent "strongly disagree" (Q. 10d). Eleven (11) percent cannot decide, likely because PPACA's limitation of insurance company power was more indirect and tangled with more visible issues than direct and publicized.

Explaining Differences in Assessments of PPACA

Three factors potentially explain a small employer's assessment of PPACA: possession or not of employee health insurance, degree of familiarity with the new law and employee size-of-firm. Possession or not of employee health insurance is the variable that typically holds explanatory power while the other two do not. The principal exception to that general rule occurs in the assessment of the new law's impact on the power of insurance companies. Those who claim to be more familiar with the new law are more skeptical that PPACA curbed the industry's power, while possession or not of insurance provided no statistical relationship to the result. In addition, an evaluation of the assertion that PPACA will lead to a government take-over of health care found both the possession or not of health insurance and familiarity with the law as predictors of the final result. Those with insurance were likely to see the new law as leading to a take-over, while those claiming greater familiarity viewed it the other way.

Flight to the Exchanges

PPACA requires everyone to have health insurance and provides subsidies for lower income people to purchase a non-employer-sponsored policy in a government-sanctioned exchange. One highly likely consequence of the new law, therefore, is that low income employees who are covered by employers and have a large cost-share will abandon the employer plan and bolt for the exchange with its subsidies.¹¹ The subsidies in these instances would likely be larger than the employee contribution. A second employee consideration might be his or her individual personal/family situation. Small employers almost always offer a single health insurance plan, a plan that may be adequate for most employees but not all. Employees with an ill-fitting employer plan, and who qualify on economic grounds may look in the exchange for one more individually-tailored to their needs. A significant policy question therefore is, how many employees will jump to the exchange. Small employers cannot answer that question. But they can answer the accompanying question, how will offering small employers react if employees start to leave their plans.

The survey asked offering small employers if employee coverage erosion to subsidized policies in the exchange would affect their continued provision of a health insurance plan. If employees began to leave, how likely would they be to seriously explore dropping their firm's coverage? Twenty-six (26) percent indicate that they are "very likely" to seriously explore the option and another 31 percent are "somewhat likely" to do so for a total of 57 percent (Q. 11). Meanwhile, 22 percent are "not too likely" and 19 percent are "not at all likely" for a total of 41 percent taking the opposite view.¹² Since owners of the largest firms (those employing 20 or more employees) are more likely to explore this possibility, the proportion of employees impacted would be larger than the proportion of businesses.

Still, small employers say that it would take a large share of their workforce opting out before they would drop their plans altogether. Thirty-five (35) percent of those small employers who expressed an interest in exploring the idea of dropping coverage should employees begin to leave for an exchange would require all full-time employees to leave before dropping theirs; another 43 percent would require a majority of full-time employees leaving; and, 2 percent would require a substantial minority (Q. 11a). Three percent think that if employees received subsidies, it makes no sense to have a plan, and 17 percent would not speculate on what it would take. It therefore appears there will be at least initial small employer resistance to abandoning their health insurance plans unless a substantial share of employees leaves for the exchange and its subsidies.

¹¹ Employees whose employers offer can receive a subsidy to purchase through an exchange if they qualify due to low income AND their cost-share of the premium constitutes more than a specified portion of total income.

¹² The McKinsey survey found 36 percent of small employers employing fewer than 50 people would "definitely" or "probably" drop their plan. See, http://www.mckinsey.com/en/US_employee_healthcare_survey.aspx, Table 41a

The number of required defections before dropping a plan could change dramatically however, if it appears employee participation is beginning to unravel or competitors start dropping their plans. (Recall there is no financial penalty for dropping insurance among firms with fewer than 50 employees or 50 or fewer employees depending the portion of the law to which one is referring.) The former could occur quite rapidly as it becomes apparent there can be financial advantages to leaving the employer's plan. A limited number of employers may follow or even lead his/her employees to the subsidies of the exchange. But should competitors start to drop and gain a significant competitive advantage, the small employer may have no choice but to follow. The exchange's subsidized employee premiums can effectively substitute for employer premium payments, reducing immediate business costs while keeping employees whole. The problem is that someone must pay for those subsidies with taxes, and small-business owners are a likely candidate to shoulder a notable share of that burden.

Since the decision to opt out of an employer plan will be the employee's, the survey data cannot directly address the question of whether firms with the largest proportion of low wage/high cost-share employees have the lowest threshold for dropping plans. However, neither average wages paid nor employee cost-share appear associated with a small employer's likelihood of investigating the possibility of dropping his/her health insurance plan should employees start to opt out. Small employers most eager to explore a possible elimination of plans are owners of firms who have increased profitability over the last year compared to those who have not changed or decreased profitability. The same is true of those changing employment in the last three years, either up or down, compared to those who have not changed. Owners of firms in the process of change tend to be more likely to explore changes in insurance provision.

The employer decision that cannot be addressed here is the extent to which they will forego establishing health insurance plans either because their employees will get a better deal in the exchange or because competitors are not burdened with those costs (premium-share). The issue therefore is not just a matter of dropping existing plans, but of not instituting them in the first place. And, the latter may be more important for small firms over time than the former.

The PPACA Tax Credit

PPACA's extraordinarily complex small-business tax credit temporarily subsidizes the purchase of health insurance by owners of very small firms who have a substantial share of low-wage employees. The White House estimates four million small businesses are eligible,¹³ though the "if they provide insurance" condition of the credit is typically forgotten in oral commentary. Far fewer than four million are eligible for the credit as a practical matter and still fewer will be able to avail themselves of the full credit. Others who are eligible will find the credit so small and complex that it is not worth the cost of calculation.

To be more specific, eligible small employers can receive a 35 percent credit on their health insurance premiums each tax year from 2010 through 2013 and half of that amount in a subsequent two-year period if the small employer purchases health insurance through an exchange. Eligibility for the credit is contingent on four tests: 1. the offer of employee health insurance, 2. fewer than 11 employees for the full credit phasing out and capped at 25 employees, 3. average annual employee wages of \$25,000 or less phasing out and capped at \$50,000 and, 4. employer payment of at least 50 percent of the employee's health insurance premium. The following discussion examines the number of small firms eligible for the credit with data that has not heretofore been available.

a. Calculating Credit Eligibility

There are currently an estimated 245,000 small businesses or less than 5 percent of the small business population employing fewer than 50 people eligible for the full PPACA small-business tax credit. Another 1.165 million or a little over 20 percent of that population are eligible for a partial credit, the average size of which is extremely difficult to determine and has not been attempted here. The two estimates (full and partial credits) are simple arithmetic calculations from publicly available data and numbers collected by this survey.

The size test - Small businesses with fewer than 10 people on the payroll numbered 4,661,829 in 2008¹⁴ making these firms potentially eligible for a full PPACA tax credit. Another 566,190 businesses employed 10 - 24¹⁵ people, making them potentially eligible for a partial credit.

The offer test - This survey found that 35 percent of the 1 - 9 employee size businesses offered health insurance coverage while 65 percent of the 10 - 24 group did. Since the offer status changes very slowly when it changes at all, the author multiplied the number of businesses in each size group by the group's offer rate. The result yielded

¹³ www.whitehouse.gov/health-care-meeting/questions/small-business-6

¹⁴ <http://www.sba.gov/advocacy/849/12162>

¹⁵ Ibid.

1,631,640 businesses with less than 10 employees potentially eligible for the full credit. Since firms with more than 10 employees are not eligible for the full credit, the offer rate makes 368,023 with 10 – 24 employees eligible for the partial credit.¹⁶

The average wage test - An average wage criterion is also part of the eligibility calculation. Seventeen (17) percent with fewer than 10 employees pay wages averaging less than \$25,000 a year (Q. 26). That means 277,379 small businesses are eligible for the full credit at this point in the computation. However, another 62 percent pay between \$25,000 and \$49,999. That means 1,011,617 in this size category are eligible for the partial credit prior to applying the final eligibility conditions. In addition, 85 percent of those in the less than 10 – 24 employee category qualify for the partial credit after the wage structure criterion has been satisfied (312,820 firms).

The share test - The final criterion is that the eligible firm must contribute at least 50 percent of an individual employee's premium. This appears to be a commonly met eligibility condition. About 12 percent of small business owners, both among those employing fewer than 10 people and between 10 and 24, contribute less than 50 percent of the premium.¹⁷ Therefore, the number of small businesses eligible for the full credit amounts to 244,094. The number eligible for the partial credit is 1,165,505, combined for a grand total of 1,409,599 eligible for some type of PPACA credit. That is less than half of the White House's four million estimate.

b. The Credit's Incentive Effect

PPACA's small business tax credit is intended to provide an incentive to encourage those without health insurance to purchase it. While it is possible that the credit also serves as an incentive for those who offer health insurance not to abandon their plans, relatively few drop insurance even without a credit. For those offering, the PPACA tax credit serves almost exclusively as a windfall since recipients receive a credit for what they were already doing. It provides virtually no incentive for non-offering firms to purchase health insurance.

Not all offering small businesses are eligible for the tax credit. Some have too many employees; some pay too much in wages/salary; and some do not have a high enough premium cost share. Still others have not heard of the credit. In fact, only 50 percent offering employee health insurance claim to be aware of the credit, though one hopes their accountants know of it and claim it for their eligible clients.¹⁸ Of offering small employers who are aware of the credit, 30 percent think they will benefit from it while 26 percent do not know if they will or not (Q. 14b). Forty-five (45) percent think they will not benefit at all and some are undoubtedly correct. However, those views are pessimistic. About 70 percent of offering firms that employ 25 people or fewer will be eligible for something. Whether they claim it is another matter. Since this group is rewarded for continuing to operate as it has in the past, the credit becomes a windfall, not an incentive as advertised.

The more important group for an assessment of the incentive effect is the non-offering group. The credit's purpose is to entice them into offering. Non-offering firms must therefore offer health insurance to be eligible for the credit. If those firms offered and contributed 50 percent of the premium, over 25 percent of the less than 25 employee population would qualify for the full credit. That population rises to 82 percent for the partial. However, the credit cannot serve as an incentive unless the target population recognizes the incentive.

Forty-six (46) percent of the non-offering population are aware of the credit. That means just 14 percent of the potentially eligible population might find the full credit an incentive to purchase employee health insurance and 38 percent the partial credit. Yet, it is not enough to know about the credit for it to be an incentive. The owner also must think that he/she is eligible to receive the credit before it becomes an incentive. Eleven (11) percent of the potentially eligible and aware think that they are eligible and another 42 percent are not sure.¹⁹ Therefore, the full-credit could incent just 2 percent of currently non-offering firms and the partial-credit could incent 9 percent. Those percentages translate into about 105,000 and 470,000 small businesses respectively.

A tax credit, if simply structured and recognized as an incentive, has appeal. The survey posed a follow-up ques-

¹⁶ A notable issue in developing these estimates is that government data sets publish the size breaks for the number of businesses at 9 employees or fewer and 24 employees or fewer. The legislation uses 10 employees or fewer and 25 employees or fewer. Rather than estimate the number of businesses that have exactly 10 employees and exactly 25 employees, the author employed published figures. The result is a modest underestimate of credit eligibility.

¹⁷ Kaiser publishes the percent of premium paid by covered employees (not covering employers) for small firms employing between 3 and 199 employees. For nearly a decade, about 95 percent of employees in those firms contributed less than 50 percent to their premium. The number grew to 92 percent in 2010.

¹⁸ Forty-eight (48) percent of the total small employer population are aware of the credit (Q. 14).

¹⁹ Twenty-three (23) percent of the small employer population think that they are eligible for the credit (Q.14a).

tion asking about the non-offering firm's health insurance status one year from now *if* a straight-forward \$1,500 credit per full-time employee were available.²⁰ The hypothetical incentive changed several responses. A \$1,500 per full-time employee sweetener shifted the number from 12 percent who say that they are "very likely" (1%) and "somewhat likely" (11%) to offer employee health insurance in the next 12 months to 33 percent, 12 percent "very likely" and 21 percent "somewhat likely". That is an 11 point gain in the "very likely" category and a 9 point gain in the "somewhat likely".

The PPACA employment size and wage tests eliminate some of those indicating that they would respond favorably to the hypothetical credit. After applying the two tests among those "very likely" to procure health insurance, the number eligible for the full credit is 3 percent of the non-offering population. The number eligible for the partial credit is 7 percent, though the credit for this group would be less, often substantially less, than the \$1,500 posited as part of the question. Expanding the scope of intention from "very likely" to "very likely" and "somewhat likely", the respective numbers rise to 8 percent for the full credit and 25 percent for the partial. These are significant numbers. However, a substantial portion of those likely to purchase with a \$1,500 incentive also say that before the incentive was added. Further, since a partial credit per full-time employee will be less, typically much less, than the \$1,500 posited in the question, the incentive will not be as attractive in actual practice.

Small-business owners of non-offering firms show interest in a credit. But the current PPACA credit offers them little incentive to purchase. The first reason for its non-incentive effect is that comparatively few know about the credit and think they are eligible to obtain it. The second is that the amount of the credit is often unknown until a complex calculation is made. If the owner cannot easily determine the amount received from the credit, it cannot provide an incentive. The third is that even after a full credit the owner is liable for a substantial increase in payroll costs. The initial employer cost will be at least equal the size of a full-credit. Most will receive a much smaller partial-credit, meaning their initial outlays could approach full premium cost. And, the credit will erode over time. Because fourth, the credit is temporary; it evaporates in four or six years, and the first year is already history.

Defined Contribution-Type Health Plans

While defined contribution retirement plans have been the norm for several years and continue to increase relative to defined benefit plans, the same type of innovation has failed to reach the financing of health insurance. There are two primary reasons for that failure. The first is that the individual market in health insurance has not functioned well, making it unattractive for all but those without alternatives. There are many reasons why this has been so, but the effect has generally been to tie employees to an employer plan whenever possible.

The second reason is exclusion from taxable income. The employer's contribution for employee health insurance is excluded from the employee's income for tax purposes. However, if an employer contributes to help an employee purchase health insurance in the individual market, the employer's contribution is counted as employee income for tax purposes.

With exchanges making the individual market more viable for many (removing the first barrier to defined contribution-type health insurance), a potential way of changing small-business owner involvement in employee health insurance is to change the exclusion of employer contributions that help employees purchase health insurance in the individual market (exchange). If those contributions were treated the same way employer contributions for employer-sponsored health insurance are treated, additional employers would be encouraged to contribute to employee purchases and employees would be encouraged to locate plans more attuned to their personal needs. Equal tax treatment therefore offers the second leg to a workable new option for both employers and employees.²¹

The survey questionnaire described (see, Q. 12 for the description) the defined contribution-type plan as a new option for financing employee health insurance without mentioning the term "defined contribution". The purpose of the omission was to avoid confusion with defined benefit pension plans. Those who currently offer were asked, if available, how likely they would be to consider substituting this "new option" for their current health insurance plan. Twenty-two (22) percent say that they are "very likely" to consider the change and another 38 percent say that they are "somewhat likely". Just 38 percent express little or no interest. The question was phrased differently for those who do not offer. It asked if they would consider participating or contributing if such a plan were available. Thirteen (13) percent say that they are "very likely" and another 42 percent say they are "somewhat likely" to participate. Forty-three (43) percent report little or no interest. In sum, 57 percent of small employers show an interest in possibly participating in defined contribution-type employee health insurance, though just 17 percent say that they are "very likely" to do so (Q. 12).

²⁰ The \$1,500 credit amounts to a full credit on an individual policy purchased of about \$4,300.

²¹ The reader should note that the comments made here focus on equitable tax treatment of certain kinds of employee income, not necessarily its exclusion from taxable income.

Potential Outcomes

Small employers who do not offer are generally more positive toward the impacts of defined contribution-type plans than are those who do. Table 4 presents various potential outcomes from these plans and small-business owner agreement/disagreement with them by current offer status. Note, for example, that more than two-thirds (68%) of all small employers think that more employees would have health insurance if such a plan were enabled (Q. 13c). Those who do not offer hold that view 15 percentage points more often than those who do. Similarly, a 30-point gap exists between the offer and non-offer groups in evaluation of the potential outcome that employees would be happier, more satisfied with a viable defined contribution-type plan available. Though the population gives a modestly positive evaluation of the potential employee satisfaction outcome (47% - 40%), the offering group is generally negative while the non-offering group is generally positive (Q. 13e). The same large gap between the offering and non-offering groups arises over the potential outcome that defined contribution-type plans would yield healthier employees. The population on balance disagrees with that potential outcome by a 45 - 49 percent margin (Q. 13b). Those offering disagree by 20 percentage points while those not offering agree by 10 percentage points.

The differing points of view on these potential outcomes are understandable given the offer status of the respondent. The frame of reference for small employers offering is people having insurance. These respondents are likely to compare the changed condition to the insurance they offer. Those offering lucrative plans, for example, may be inclined to think that employees are not likely to do better on their own. Similarly, the frame of reference for small employers not offering is people without insurance. They are likely to compare the changed condition to the absence of insurance. The standards the two groups use are therefore very different. The former is more likely to focus on quality; the latter is more likely to focus on quantity, that is, presence of plan compared to no plan. The differences that appear on these expected outcomes are therefore perfectly logical.

One potential outcome from defined contribution-type plans that both offering and non-offering groups agreed to, and by reasonably large margins, is that the plans would allow employees to purchase health insurance better tailored to their needs. Small employers agree 63 - 31 percent (Q. 13g). Even owners of offering firms agree 57 - 41 percent, effectively acknowledging that they cannot give as many legitimate choices as employees can find for themselves outside the firm. Owners not offering are even more positive by a 67 - 23 percent margin.

TABLE 4
ASSESSMENTS OF POTENTIAL OUTCOMES FROM DEFINED CONTRIBUTION-TYPE
HEALTH INSURANCE FINANCING BY SMALL EMPLOYERS OFFERING AND
NOT OFFERING EMPLOYEE HEALTH INSURANCE

Potential Outcomes from Defined Contribution-Type Plans	Offer % Agree/ % Disagree	Not Offer % Agree/ % Disagree	All Small Employers % Agree/ % Disagree
1. greater control over employer HI costs	48/51*	51/34*	49/40*
2. healthier employees	39/69	49/39	45/49
3. more employees will have HI	61/43	76/22	68/31
4. reduce employer administrative burdens	35/62	27/59	30/60
5. make employees happier	29/52	59/31	47/40
6. let employees take their HI from job-to-job thereby increasing employee turn-over	38/48	33/51	35/45
7. allow employees to purchase HI better tailored to their needs	57/41	67/23	63/31

*Agree and disagree do not add to 100 percent because non-response totals are not presented.

Three of the potential outcomes from defined contribution-type plans evaluated involve important business-specific consequences: greater control over employer health insurance costs, reduced employer administrative burdens, and increased employee turn-over. The first two are generally considered strong arguments in favor of defined contribution-type plans from an employer's perspective while the third one is the opposite. But those directly impacted are not convinced as will be seen. In addition, the reaction of offering and non-offering small employers is not as sharply divergent as in assessing potential outcomes on employees.

Employer Specific Potential Outcomes

Controlling health insurance costs is a major concern for small employers. Yet, they have mixed views on the potential defined contribution-type plans have for controlling them. Just 49 percent agree that they will help achieve greater cost control compared to 40 percent who disagree with 11 percent undecided (Q. 13a). A substantial majority (51% - 34%) of those not offering think they will allow greater control. Yet, a slight majority of those offering (48% - 51%) disagrees. One plausible explanation for this result is that small employers, both offering and not, think they have little control over health care costs and the method by which they finance their insurance does not matter. Yet, the survey contains no evidence to support that speculation.

A second issue for small employers is administrative burden. Sending a check monthly to each employee's insurer appears much less burdensome than shopping for insurance, advising and enrolling employees, and intervening on claims issues. Yet, the population does *not* think defined contribution-type plans will reduce their administration burdens, and they think that way by a substantial 30 – 60 percent with 10 percent not certain (Q. 13d). There is also virtually no difference of opinion by offering status. Thirty-five (35) percent of the offering group agree that defined contribution-type plans would lower the administrative burden for them while 62 percent disagree; the comparable numbers for the non-offering group are 27 percent and 59 percent respectively.

Small employers have developed a healthy skepticism over the years about change resulting in reduced paperwork and administrative burdens. An unformulated view of a hypothetical proposal likely contributes to that caution and underscores the need for administrative simplicity in any such plan. Yet, a more concrete possible explanation for small employer concern is that they may envision employees running off in different directions to purchase their health insurance and changing carriers often. That could mean sending checks to several insurers, possibly in different amounts and in different time intervals, and potentially changing insurers (places to send the checks) more than once a year. If those steps were part of a plan, they could potentially become significant administrative burdens, particularly without a reasonably sophisticated computer system.

Many consider employer-sponsored health insurance a form of “golden-handcuffs” which bind employees to firms. For small employers who offer, therefore, a downside to a defined contribution-type approach is that insurance is portable and employees can take their plan wherever they work. It eliminates the employee's tie, the golden-handcuffs, to the offering employer thereby making it easier for employees to move. Non-offering employers do not have to remove that tie to employees because it does not exist in the first place. Yet, small employers disagree that increased employee turnover will result from a defined contribution-type plan by a 35 – 49 percent margin with 16 percent undecided (Q. 13f). The proportions agreeing and disagreeing are almost identical among the offering and non-offering groups. The offering group, presumably the one substantially more affected, disagrees by a 38 – 48 percent margin, while the non-offering group, potentially a beneficiary, disagrees by a 33 – 51 percent margin.

The question again is why small employers should defy conventional wisdom. Two obvious explanations appear. The first is that a majority of small employers simply do not believe the golden-handcuffs proposition. Offering owners consider health insurance as a benefit, but only part of a larger compensation package and a general workplace environment. Small employers change plans and their terms frequently now and that apparently has not encouraged excess turnover. So, why should adopting a new option be any different? Some may also think a defined contribution-type plan would be as good as or a better plan than the one they currently offer. Those who do not offer are not affected by the argument except as a potential beneficiary if the proposition is indeed correct.

Considerations in Evaluating Defined Contribution-Type Plans

Small employers who are very likely or somewhat likely to consider the defined contribution-type option are substantially more positive about possible impacts than are those who are not. For example, those now offering and likely to consider the option should it be available think that it would result in greater control of their health insurance costs by a 60 – 38 percent margin; those who do not offer and are likely to consider the option hold the same view by a 61 – 29 percent margin (Table 5). Contrast those percentages to owners who are not likely to consider the defined contribution-type option. Those who offer think it will *not* help control costs by a 30 – 70 percent gap though those who do not offer have the same conviction by a 38 – 60 percent gap.

While the question sequence in the survey placed interest in the concept prior to evaluation of its impacts, the data suggest a “chicken and egg”-type condition. Which came first, a favorable impression of the concept or a favorable impression of its impacts (and vice versa)? The data do not provide an answer. But small-business owner interest in the option and expected positive outcomes from it are clearly related.



TABLE 5
SMALL EMPLOYER EXPECTED OUTCOMES FROM DEFINED BENEFIT-TYPE HEALTH INSURANCE BY SELECTED OUTCOME, OFFER/NON-OFFER STATUS OF THEIR BUSINESSES AND INTEREST IN PARTICIPATING IN THOSE PLANS

Expected Outcomes		Offering		Non-Offering	
		Likely Interested	Not Likely Interested	Likely Interested	Not Likely Interested
Greater employer control over HI cost increases	Agree	60%	30%	61%	38%
	Disagree	38	70	29	60
More employees will have HI	Agree	70%	36%	85%	67%
	Disagree	30	63	13	32

An aberration should be noted. Interested small employers both who offer and do not offer agree that the direct contribution-type option would lead to more employees having health insurance. The former agreed 70 – 30 percent and the latter 85 – 13 percent (Table 5). Yet, small-business owners not interested and not offering also think that the option will lead to greater coverage by a 67 – 32 percent margin. Those offering and not interested group is the only one that does not think such plans will lead to greater coverage (36 – 63 percent). The upshot is that non-offerers, the group of greatest interest to those wishing to extend health insurance coverage, is the one most likely to think a defined contribution-type option will result in more employees being covered!

Non-response (uncertainty) was considerably higher in this part of the survey than in others suggesting that many small-business owners are not familiar with or have not thought about issues related to defined contribution-type health plans. That is underscored by the much higher propensity of those not offering to be uncertain about various potential outcomes. For example, 11 percent did not evaluate the potential outcome that defined contribution-type plans would result in greater employer control of health insurance costs. The figure rose to 16 percent among those not offering. However, 16 percent of the population did not evaluate the employee turn-over potential outcome, 20 points among those not offering. One exception appeared: less than 2 percent had no view about the likelihood that defined contribution-type plans would result in more employees having health insurance. Still, stronger opinions are likely to develop as the option draws more attention.

Conclusion

Small employers are in the eye of the health care hurricane. The turbulence that accompanied passage of PPACA one year ago has passed. Regulators, insurers, and the lawyers are scurrying during the lull to settle the countless issues left unaddressed by the political process. Small-business owners bide time waiting for the hurricane eye's following wall, while sustaining the gradual, but steady, decline in their numbers offering employee health insurance even as they continue to absorb hefty insurance premium increases.

These conditions and their accompanying uncertainty result in the familiar approach small employers currently take to employee health insurance. Few intend to change their offer status in the next year. Significant numbers expect major changes at renewal in the plans they offer, virtually all of which involve greater employee cost-share and/or decreased benefits. Half are aware of the PPACA small-business tax credit, but the overwhelming proportion will use it as a wind-fall rather than as an incentive. The major recent atmospheric change appears to be the elimination (or intended elimination) of many health plans that small employers purchase. One in eight report that their plan has either been eliminated or they have been told that it will be eliminated, the first major impact of PPACA on the small-business population.

Small employers think the consequences of PPACA will almost uniformly be negative. Those who have at least some familiarity with PPACA expect the new law will increase taxes, will increase the federal deficit, will *not* slow health insurance cost increases, will *not* ease their administrative burdens, and will *not* improve public health. If those are the new law's expected outcomes, it is little wonder small employers dislike it so intensely.

The principal splits in awareness on employee health matters, expected outcomes of PPACA, and the potential for defined benefit-type health plans among other things fall on the offer/non-offer dimension. Small employers who offer health insurance obviously look at the health care world differently than those who do not. Whether offer status is the reason for their different views or a manifestation of them is not so obvious.

McKinsey reports that as many as 30 percent of employers will soon find it in their economic interest to drop their health insurance, despite paying a PPACA penalty and making employees whole.²² The NFIB survey did not directly gauge the economic interest of offering small employers,²³ though it did ask them to forecast whether they would investigate dropping their plan if employees began to opt for the exchange. Twenty-six (26) percent, approximately McKinsey's number, indicate they would investigate dropping their plan. But most small employers indicate they will not drop unless a large number of employees leave. The survey did not ask if they had actually calculated the possible cost savings of doing so. Nor did it ask if they would drop their health insurance following a competitor's lead. The actions of their competitors indeed may prove more powerful than any preference they have to offer or not.

It is possible, some might argue likely, that PPACA will simply collapse, politically, legally, economically, and/or administratively. But even should PPACA fall apart, the country will still face a host of outstanding health issues, led by the cost of care. Those will not be resolved easily or quickly. As a policy issue therefore, health is going to be with us for a very long time.

²² Shubham Singhal, Jeris Stueland, and Drew Ungerman, "How US health care reform will affect employee benefits," McKinsey Quarterly, June 2011.

²³ The McKinsey survey included 336 interviews of employers with fewer than 50 employees, the focus of the NFIB survey. http://www.mckinsey.com/en/US_employer_healthcare_survey.aspx



SMALL BUSINESS AND HEALTH INSURANCE: ONE YEAR AFTER ENACTMENT OF PPACA

TABULATIONS

I. Does this business offer employer-sponsored health insurance to any of its employees?

1. Yes	42.3%
2. No	57.7
3. DK/Refused	—

Total	100.0%
N	750

Ia. You indicated that you currently have _____ employees. About how many participate in the business's employee health insurance plan? (Percent calculated from actual numbers.)

1. < 50 percent	13.6%
2. 50 – 74 percent	19.2
3. 75 – 99 percent	10.7
4. 100 percent	54.9
5. DK/Refused	1.6

Total	100.0%
N	317

Ib. Are part-time employees who work less than 30 hours a week eligible to participate in the firm's health insurance plan?

1. Yes	12.0%
2. No	86.4
3. DK/Refused	1.6

Total	100.0%
N	317

Ic. What percentage of the premium does the business contribute for INDIVIDUAL health insurance coverage?

1. 100% paid by business	47.0%
2. 90 – 99%	1.3
3. 75 – 89%	4.1
4. 50 – 74%	34.4
5. 25 – 49%	1.9
6. Less than 25%	0.3
7. The business pays no share	10.4
8. DK/Refused	0.6

Total	100.0%
N	317

Id. Does your business's health insurance plan have a FAMILY option?

1. Yes	72.9%
2. No	26.2
3. Not Sure	0.9

Total	100.0%
N	317

Idi. What percentage of the premium does the business contribute for FAMILY health insurance coverage?

1. 100% paid by business	30.3%
2. 90 – 99%	0.9
3. 75 – 89%	1.3
4. 50 – 74%	15.2
5. 25 – 49%	8.2
6. Less than 25%	0.9
7. The business pays no share	41.6
8. Not Sure/Refused	1.7

Total	100.0%
N	231

2. Do you get your health insurance through this business's health insurance plan, get it elsewhere, or do not have health insurance?

1. This business	70.0%
2. Elsewhere	28.7
3. No Insurance	0.3
4. DK/Refused	0.6
<hr/>	
Total	100.0%
N	317

3. Did the business add employee health insurance as an employee benefit within the last 12 months?

1. Yes	1.3%
2. No	98.7
3. DK/Refused	—
<hr/>	
Total	100.0%
N	317

3a. Did the business drop employee health insurance as an employee benefit within the last 12 months?

1. Yes	4.2%
2. No	95.6
3. DK/Refused	0.1
<hr/>	
Total	100.0%
N	433

4. For about how many years has this business offered employee health insurance? (Calculated as length of time with health plan divided by length of time in business.) (Owner responses only.)

1. Since the first year	41.6%
2. 1 – 4 years after starting	11.0
3. 5 – 9 years after starting	9.0
4. 10 or more years after starting	4.9
5. DK/Refused	33.5
<hr/>	
Total	100.0%
N	245

5. In the last 12 months, did your insurer terminate the specific health insurance plan that you had, or otherwise tell you that the plan you have will not be available in the future?

1. Yes	11.7%
2. No	87.7
3. DK/Refused	0.6
<hr/>	
Total	100.0%
N	317

6. How likely is this business to have an employee health insurance plan 12 months from now: ?

1. Very Likely	33.9%
2. Somewhat Likely	10.4
3. Not Too Likely	17.6
4. Not At All Likely	37.2
5. DK/Refused	0.9
<hr/>	
Total	100.0%
N	750

6a. Suppose you received a \$1,500 annual tax credit for every full-time employee who participated in a health plan your business sponsors. Now let me ask the same question again. If you were to get the credit how likely is this business to have an employee health insurance plan 12 months from now: ?

1. Very Likely	12.5%
2. Somewhat Likely	20.8
3. Not Too Likely	26.1
4. Not At All Likely	38.8
5. DK/Refused	1.8
<hr/>	
Total	100.0%
N	433

7. Do you expect to make major changes in your employee health insurance plan when it comes up for renewal?

1. Yes	19.6%
2. No	63.7
3. DK/Refused	16.7
<hr/>	
Total	100.0%
N	317



7a. Will the affect of those changes on employees generally:

1. Expand benefits and increase employee costs	1.6%
2. Expand benefits without increasing employee costs	4.8
3. Reduce benefits and increase employee costs	35.5
4. Reduce benefits without increasing employee costs	30.6
5. Leave benefits unchanged, but increase employee costs	22.6
6. (Drop insurance)	3.2
7. (Reshuffle benefits and costs/no NET difference)	1.6
8. DK/Refused	—
<hr/>	
Total	100.0%
N	62

8. Do you currently purchase your employee health insurance through an agent or broker?

1. Yes	78.5%
2. No	21.1
3. DK/Refused	0.3
<hr/>	
Total	100.0%
N	317

8a. Do you purchase ALL, MOST, SOME or NONE of your other business insurance from the same agent or broker that you purchase employee health insurance?

1. All	3.6%
2. Most	12.9
3. Some	16.9
4. None	66.3
5. DK/Refused	0.4
<hr/>	
Total	100.0%
N	249

9. Does this business offer employees a tax-advantaged health savings account of some type, where employees can put aside some of their earnings TAX FREE and use to pay for their uncovered health costs?

1. Yes	22.4%
2. No	77.0
3. DK/Refused	0.6
<hr/>	
Total	100.0%
N	317

9a. There are three types of these plans, Health Savings Accounts (HSAs), Flexible Savings Accounts (FSAs) and Health Reimbursement Accounts (HRAs). Which one does this business offer?

1. Heath Savings Account	66.2%
2. Flexible Savings Account	11.3
3. Health Reimbursement Account	4.2
4. (Combination; More than One)	15.5
5. DK/Refused	2.8
<hr/>	
Total	100.0%
N	71

10. How familiar are you with the major health care law that passed about this time last year? Are you:

1. Very Familiar	17.9%
2. Somewhat Familiar	40.0
3. Not Too Familiar	24.4
4. Not Familiar at All	17.8
5. DK/Refused	—
<hr/>	
Total	100.0%
N	750



I am going to read several statements about this new health care law. After each one, please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree.

I0a. It will slow the rate of health insurance cost increases.

1. Strongly Agree	2.3%
2. Somewhat Agree	21.9
3. Somewhat Disagree	20.4
4. Strongly Disagree	43.9
5. DK/Refused	11.5

Total	100.0%
N	617

I0b. It will improve the overall health of the American public.

1. Strongly Agree	9.4%
2. Somewhat Agree	29.8
3. Somewhat Disagree	14.4
4. Strongly Disagree	44.6
5. DK/Refused	1.8

Total	100.0%
N	617

I0c. It will infringe on the rights of Americans.

1. Strongly Agree	45.1%
2. Somewhat Agree	19.4
3. Somewhat Disagree	19.0
4. Strongly Disagree	14.4
5. DK/Refused	2.1

Total	100.0%
N	617

I0d. It will reduce the power of insurance companies.

1. Strongly Agree	23.2%
2. Somewhat Agree	22.4
3. Somewhat Disagree	21.7
4. Strongly Disagree	22.0
5. DK/Refused	10.7

Total	100.0%
N	617

I0e. It will reduce paperwork and make the provision of healthcare less complex.

1. Strongly Agree	1.8%
2. Somewhat Agree	17.7
3. Somewhat Disagree	20.9
4. Strongly Disagree	57.7
5. DK/Refused	1.8

Total	100.0%
N	617

I0f. It will add to federal budget deficits.

1. Strongly Agree	52.5%
2. Somewhat Agree	18.3
3. Somewhat Disagree	24.1
4. Strongly Disagree	2.4
5. DK/Refused	2.6

Total	100.0%
N	617

I0g. It will lead to a government take-over of health care.

1. Strongly Agree	40.7%
2. Somewhat Agree	17.0
3. Somewhat Disagree	24.6
4. Strongly Disagree	10.9
5. DK/Refused	6.6

Total	100.0%
N	617

I0h. It will expand health insurance coverage to more people.

1. Strongly Agree	34.7%
2. Somewhat Agree	38.2
3. Somewhat Disagree	13.5
4. Strongly Disagree	12.6
5. DK/Refused	1.0

Total	100.0%
N	617



10i. It will increase taxes.

1. Strongly Agree	55.8%
2. Somewhat Agree	21.2
3. Somewhat Disagree	19.3
4. Strongly Disagree	1.5
5. DK/Refused	2.3
<hr/>	
Total	100.0%
N	617

10j. It will separate doctors and patients.

1. Strongly Agree	30.5%
2. Somewhat Agree	19.6
3. Somewhat Disagree	27.1
4. Strongly Disagree	15.4
5. DK/Refused	7.5
<hr/>	
Total	100.0%
N	617

11. Under current law, many employees will almost certainly receive a substantial government subsidy if they purchase health insurance from a government sponsored exchange. Many firms in the next few years, particularly among those with a high percentage of lower paid full-time employees, will have to consider the viability of keeping their health insurance benefits. If a substantial share of employees now participating in your health plan became eligible for a significant government subsidy to pay for health insurance they purchased from a government sponsored exchange, how likely would you be to seriously explore the idea of dropping your company plan:

1. Very Likely	25.9%
2. Somewhat Likely	31.5
3. Not Too Likely	22.4
4. Not At All Likely	18.9
5. DK/Refused	1.3
<hr/>	
Total	100.0%
N	317

11a. What portion of your full-time employees would have to leave your current plan for the subsidy before you would drop your health insurance plan?

1. All your employees would have to leave your plan	35.2%
2. A majority would have to leave your plan	43.4
3. A significant minority would have to leave your plan	1.6
4. If employees can get subsidies, there is no need to have a plan	2.7
5. DK/Refused	17.0
<hr/>	
Total	100.0%
N	317

12. Suppose you had a new option to purchase health insurance. Under the new option, employees would purchase health insurance in the open market and the business would send a tax-excluded contribution to the insurer to help employees pay their premiums. The business could send as much or as little as it liked. If this proposal were to become law, how likely would you be to consider substituting it for current your health insurance plan (OR as appropriate) paying a portion of your employees' health insurance premium?

1. Very Likely	16.8%
2. Somewhat Likely	40.3
3. Not Too Likely	23.3
4. Not At All Likely	17.3
5. DK/Refused	2.4
<hr/>	
Total	100.0%
N	750

I am going to read several statements about possible results or outcomes if you used this new employee health insurance option. After each one, please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree.

I 3a. The new option would result in greater control over your health insurance costs.

1. Strongly Agree	18.8%
2. Somewhat Agree	30.5
3. Somewhat Disagree	22.0
4. Strongly Disagree	18.1
5. DK/Refused	10.7
<hr/>	
Total	100.0%
N	750

I 3b. The new option would result in healthier employees.

1. Strongly Agree	18.8%
2. Somewhat Agree	25.9
3. Somewhat Disagree	16.5
4. Strongly Disagree	30.8
5. DK/Refused	8.0
<hr/>	
Total	100.0%
N	750

I 3c. The new option would result in more employees having health insurance.

1. Strongly Agree	32.0%
2. Somewhat Agree	35.9
3. Somewhat Disagree	15.3
4. Strongly Disagree	15.2
5. DK/Refused	1.6
<hr/>	
Total	100.0%
N	750

I 3d. The new option would reduce administrative burdens for you.

1. Strongly Agree	13.9%
2. Somewhat Agree	16.5
3. Somewhat Disagree	21.9
4. Strongly Disagree	38.0
5. DK/Refused	9.7
<hr/>	
Total	100.0%
N	750

I 3e. The new option would make employees happier.

1. Strongly Agree	19.6%
2. Somewhat Agree	26.9
3. Somewhat Disagree	18.1
4. Strongly Disagree	21.7
5. DK/Refused	13.6
<hr/>	
Total	100.0%
N	750

I 3f. The new option would give employees the opportunity to take their health insurance from job to job thereby increasing employee turnover.

1. Strongly Agree	14.4%
2. Somewhat Agree	20.5
3. Somewhat Disagree	29.7
4. Strongly Disagree	19.7
5. DK/Refused	15.6
<hr/>	
Total	100.0%
N	750

I 3g. The new option would allow employees to purchase health insurance better tailored to their individual and family needs.

1. Strongly Agree	25.2%
2. Somewhat Agree	37.5
3. Somewhat Disagree	17.9
4. Strongly Disagree	12.7
5. DK/Refuse	6.8
<hr/>	
Total	100.0%
N	750



14. The new law provides a tax credit for many small employers who now have or will have employee health insurance. Have you heard of the credit, or not?

1. Yes	48.0%
2. No	52.0
3. DK/Refused	—
<hr/>	
Total	100.0%
N	750

14a. Do you know if your business qualifies for the credit or not?

1. Yes	23.1%
2. No	39.4
3. DK/Refused	37.5
<hr/>	
Total	100.0%
N	360

14b. Do you think that this credit will benefit your business?

1. Yes	29.6%
2. No	44.7
3. DK/Refused	25.8
<hr/>	
Total	100.0%
N	159

15. How confident are you that you are obtaining an adequate supply of information about employee health care, health insurance, and the most recent legislative development about them?

1. Very Confident	12.1%
2. Somewhat Confident	28.1
3. Not Too Confident	30.1
4. Not Confident at All	29.2
5. DK/Refused	0.9
<hr/>	
Total	100.0%
N	750

16. You indicated that you currently have _____ full-time employees working in this business? Of your full-time employees, how many earn \$7.25 an hour or LESS? Do NOT include tips.

1.-50. _____
 98. None
 99. DK/Refused

17. Of your full-time employees, how many earn between \$7.26 and \$12.50 an hour, the annual salary equivalent of \$14,500 to \$25,000? Do NOT include tips.

1.-50. _____
 98. None
 99. DK/Refused

18. Of your full-time employees, how many earn between \$12.51 and \$25.00 an hour, the annual salary equivalent of \$25,000 to \$50,000? Do NOT include tips.

1.-50. _____
 98.
 99. DK/Refused

19. Of your full-time employees, how many earn between \$25.01 and \$37.50 an hour, the annual salary equivalent of \$50,000 to \$75,000? Do NOT include tips.

1.-50. _____
 98. None
 99. DK/Refused

20. Of your full-time employees, how many earn more than \$37.50 an hour, the annual salary equivalent over \$75,000? Do NOT include tips.

1.-50. _____
 98. None
 99. DK/Refuse

21. Switching to PART-time employees for the moment, those that typically work less than 30 hours a week. Do you have any part-time employees?

1. Yes	38.4%
2. No	61.6
3. DK/Refused	—
<hr/>	
Total	100.0%
N	750

22. Of your part-time employees, how many earn \$7.25 an hour or LESS? Do NOT include tips.

- 1.-50. _____
- 98. None
- 99. DK/Refused

23. Of your part-time employees, how many earn between \$7.26 and \$12.50 an hour? Do NOT include tips.

- 1.-50. _____
- 98. None
- 99. DK/Refused

24. Of your part-time employees, how many earn between \$12.51 and \$25.00 an hour? Do NOT include tips.

- 1.-50. _____
- 98. None
- 99. DK/Refused

25. Of your part-time employees, how many earn between \$25.01 and \$37.50 an hour? Do NOT include tips.

- 1.-50. _____
- 98. None
- 99. DK/Refused

26. Per Firm Average Wages (Calculated from survey questions 16-20 and 21-25.)

1. < \$12.00/hr.	17.6%
2. \$12.00 – \$14.99/hr.	15.6
3. \$15.00 – \$17.99/hr.	12.7
4. \$18.00 – \$21.99/hr.	24.9
5. \$22.00 – \$25.99/hr.	10.1
6. \$26.00/hr. or more	14.0
7. DK/Refuse	5.1
<hr/>	
Total	100.0%
N	750



Demographics

D1. How many employees do you have, NOT including the owner or owners? (Do NOT distinguish between full- and part-time employees.)

1. 1 – 4 employees	51.5%
2. 5 – 9 employees	25.9
3. 10 – 19 employees	13.2
4. 20 – 49 employees	9.5
<hr/>	
Total	100.0%
N	750

D2. How many of those are full-time, that is typically working 30 or more hours a week? An estimate is fine.

1. 1 – 4 full-time employees	60.8%
2. 5 – 9 full-time employees	20.7
3. 10 – 19 full-time employees	10.7
4. 20 – 49 full-time employees	7.9
5. DK/Refused	—
<hr/>	
Total	100.0%
N	750

D3. Which best describes your position in the business?

1. Owner/Manager	72.5%
2. Owner, but NOT the manager	13.1
3. Manager, but NOT the owner	14.4
<hr/>	
Total	100.0%
N	750

D4. Are you involved in making this firm’s decisions about employee wages and benefits?

1. Yes	100.0%
2. No	—
3. DK/Refused	—
<hr/>	
Total	100.0%
N	750

D5. Is this business operated primarily from the home, including any associated structures, such as a garage or a barn?

1. Yes	24.1%
2. No	75.9
3. DK/Refused	—
<hr/>	
Total	100.0%
N	750

D6. How many years have (Owners, “owned”; Managers, “managed”) this business?

1. < 5 years	13.1%
2. 5 – 9 years	23.3
3. 10 – 14 years	18.5
4. 15 – 19 years	12.8
5. 20 – 29 years	16.5
6. 30 years or more	15.7
7. DK/Refused	—
<hr/>	
Total	100.0%
N	750

D7. Compared to this time three years ago or 2008, do you have: ?

1. More employees	22.4%
2. The same number of employees	43.3
3. Fewer employees	30.4
4. (Was not in business three years ago)	3.9
5. DK/Refused	—
<hr/>	
Total	100.0%
N	750

D8. Over the next three to five years, do you want this business to:

1. Grow a lot	34.9%
2. Grow a little	35.1
3. Stay the same	22.0
4. Downsize a little	6.9
5. Downsize a lot	0.7
6. DK/Refused	0.4
<hr/>	
Total	100.0%
N	750

D9. Compared to last year at this time, is this business currently: ?

1. Much more profitable	6.8%
2. Somewhat more profitable	26.0
3. About as profitable	30.4
4. Somewhat less profitable	23.7
5. Much less profitable	12.4
6. DK/Refused	0.7
<hr/>	
Total	100.0%
N	750

D10. What is the zip code of your primary business location: ? (Regions by zip code.)

1. Northeast	21.3%
2. Southeast	23.9
3. Mid-West	18.3
4. Central	20.5
5. Pacific	16.0
<hr/>	
Total	100.0%
N	750

D11. Is your business primarily in the: ?

1. Retail or wholesale industries	30.5%
2. Manufacturing, construction, or agricultural production industries	26.8
3 Health, education, scientific, legal services	8.5
4. Financial services, including real estate	8.9
5. Hospitality, such as food service, lodging or entertainment	2.0
6. Business services, such as security or janitorial services	6.4
7. Personal services, such as dry cleaning	4.8
8. Transportation	4.4
9. Other consulting services	4.7
10. Or something else	2.5
11. DK/Refuse	0.4
<hr/>	
Total	100.0%
N	750

D.12 Would you define your primary business location as being in an urban, suburban or small town rural area?

1. Urban	34.8%
2. Suburban	27.3
3. Small town/Rural	37.3
4. DK/Refuse	0.5
<hr/>	
Total	100.0%
N	750

D13. SEX (Voice Identification)

1. Male	68.7%
2. Female	31.3
<hr/>	
Total	100.0%
N	750





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1201 "F" Street, NW
 Suite 200
 Washington, DC 20004
 nfib.com