



NSBA
National Small Business Association

2014 SMALL BUSINESS HEALTH CARE SURVEY





FOREWORD



Mr. Todd McCracken
NSBA President & CEO



As the Affordable Care Act (ACA) continues to make headlines for problems with the online enrollment and ongoing delays to various aspects of the law, small businesses continue to struggle with the cost and complexity of providing health care benefits for their employees. To offer insight into how America's small businesses are dealing with rising health care costs, what kind of benefits they offer and how ACA is impacting their business, NSBA recently surveyed more than 780 small-business owners and is pleased to provide the results of that survey this document, the NSBA 2014 Small Business Health Care Survey.

Celebrating more than 75 years as the nation's first small-business advocacy organization, part of NSBA's mission is to address the needs and represent the concerns of the small-business community. A staunchly nonpartisan and member-driven organization, NSBA conducts a series of surveys throughout the year, including our semiannual Economic Reports. The 2014 Small Business Health Care Survey provides both a snapshot of small business in today's health care landscape, as well as provides trending data from our past surveys dating from as far back as 2009.



Mr. Jeffery Van Winkle
NSBA Chairman



Among the key findings when it comes to health benefits, the NSBA survey found that, while the majority of employers think offering health insurance is very important to recruiting and retaining good employees, just 51 percent of firms with one to five employees offer health benefits. Overall, 70 percent of small firms (those with fewer than 500 employees) report offering health insurance today, up slightly from 66 percent in 2009. While cost is the number one driver of whether or not a small business will offer health insurance, the fact that the overwhelming majority of firm owners personally handle their firm's health benefits underscores the need to ease complexity when it comes to offering health benefits.

When asked what kind of plans they offer, the majority said they do not offer more than one health plan option to employees, but report their plans cover more than 80 percent of their workforce. With regards to cost-sharing, the majority of small firms report paying for more than half of the cost of their employees' plans.

Today the average monthly per-employee cost of health insurance premiums for a small firm is \$1,121. When asked in 2009 for the estimated monthly cost of their health benefits package, per employee, small firms reported \$590 per month. Beyond health insurance premiums, employers report additional health-care related spending to the tune of \$458 per month, per employee. Furthermore, a whopping 91 percent reported increases in their health plan at their most recent renewal, and the majority expect to continue seeing cost increases in the coming year.

Three-fourths of small firms report they plan to purchase insurance through their existing broker in the coming year and less than one-in-ten plan to purchase health insurance through the Small Employer Health Options Program (SHOP exchange)—even before the administration announced the one-year delay to SHOPS.

To deal with these rising costs, 34 percent of small businesses report holding off on hiring a new employee while 12 percent report they had to lay off an employee. Fifteen percent report they plan to drop coverage in the coming year—up from just two percent who reported dropping coverage in the last year.

Despite increased reporting on ACA, the majority of small firms still have a limited to no understanding of how they will be impacted by the law. When asked about the real-world costs of understanding ACA, small businesses report spending on average 13 hours and \$1,274 per month—and that's just on the administrative side of understanding the law itself.

The 2014 Small Business Health Care Survey was conducted on-line Nov. 20 - Dec. 4, 2013 among more than 780 small-business owners—both members and nonmembers of NSBA. Please contact Molly Brogan Day at mday@nsba.biz with questions.

We hope you find this survey useful and informative.

Sincerely,

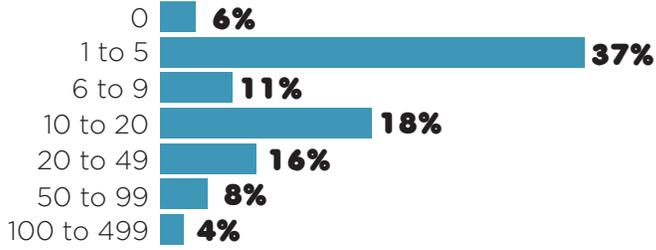
Todd McCracken
NSBA President and CEO

Jeffrey Van Winkle
NSBA Chair
Clark Hill



FIRM DEMOGRAPHICS

How many total full-time personnel are currently employed by your business?



About what percentage of your workforce currently works less than 30 hours per week?

None	48%
1% to 20%	35%
21% to 40%	7%
41% to 60%	3%
61% to 80%	2%
81% to 100%	6%

How many years has your firm been in business?

Less than 2	2 to 5	6 to 12	13 to 20	20+
1%	5%	20%	19%	57%

Gross sales or revenues for the most recent fiscal year

Less than \$100,000	11%
\$100,000 to less than \$250,000	10%
\$250,000 to less than \$500,000	9%
\$500,000 to less than \$1,000,000	12%
\$1,000,000 to less than \$5,000,000	31%
\$5,000,000 to less than \$25,000,000	18%
\$25,000,000 to less than \$75,000,000	4%
\$75,000,000 to less than \$150,000,000	2%
\$150,000,000 or more	3%

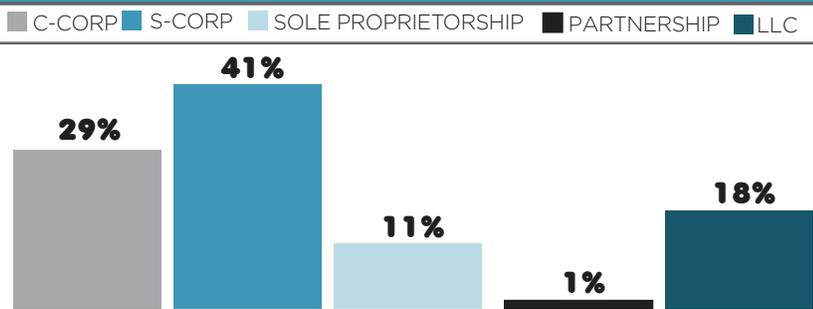
Total payroll for the most recent fiscal year

Less than \$100,000	25%
\$100,000 to less than \$500,000	28%
\$500,000 to less than \$1,000,000	17%
\$1,000,000 to less than \$5,000,000	20%
\$5,000,000 to less than \$25,000,000	5%
\$25,000,000 to less than \$75,000,000	1%
\$75,000,000 to less than \$150,000,000	1%
\$150,000,000 or more	4%

Which of the following best describes the industry or sector in which your business operates?

Manufacturing	15%
Construction	13%
Professional	13%
Scientific and Technical Services	9%
Retail Trade	9%
Other Services (except Public Administration)	8%
Wholesale Trade	7%
Information (IT)	6%
Health Care and Social Assistance	3%
Agriculture, Forestry, Fishing and Hunting	3%
Real Estate, Rental and Leasing	3%
Transportation and Warehousing	3%
Insurance	1%
Administrative and Support	1%
Educational Services	1%
Arts, Entertainment and Recreation	1%
Accommodation and Food Services	1%
Utilities	1%
Finance	1%
Management of Companies and Enterprises	1%
Mining	1%
Public Administration	0%
Waste Management and Remediation Services	0%

Which best describes the structure of your business?



In what region is your business located?

New England	5%
Mid-Atlantic	21%
Great Lakes	17%
Farm Belt	8%
South	24%
Mountain	11%
Pacific	15%



HEALTH CARE DEMOGRAPHICS

Offering health insurance as an employee benefit is something the majority of small businesses think is very important in terms of recruiting and retaining good employees. Small firms, however, face unique challenges in offering health insurance, with cost being the number one factor in their decision making process. Further complicating the small-business owner's already widely varied tasks, the overwhelming majority report that they personally are primarily responsible for handling their firm's health benefits offerings.

Not surprising, the smallest firms report the lowest rates of offering health-related benefits to employees. When compared with the NSBA 2009 Survey on Health Care, there has been slight growth in the number of small businesses who offer health insurance.

Please indicate who within your company is primarily responsible for handling your benefits offerings.



I Am
72%



A member of my staff is
24%



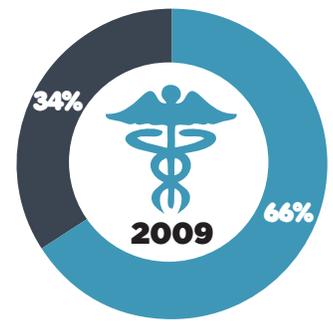
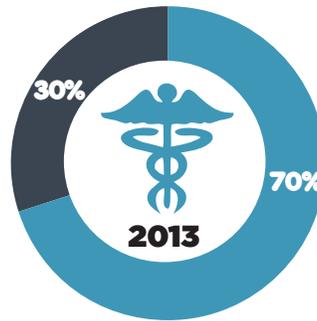
We outsource it
4%

What is the average age of your employees?



Do you offer any health-related benefits to your employees?

■ Yes ■ No



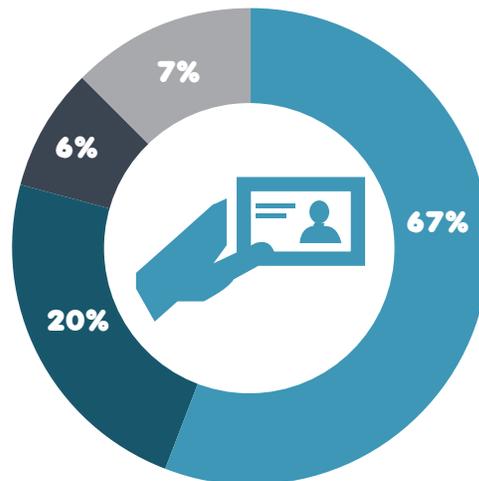
2013 Responses	👍 YES	👎 NO
1-5 employees	51%	49%
6-9 employees	75%	25%
10-20 employees	86%	14%
20-49 employees	91%	9%
50+ employees	94%	6%

Please rank the following factors in order of most important (with #1 being the most important) in determining how or if you offer or purchase health insurance.

1	Cost of plans
2	Benefits offered
3	Deductibles
4	Coverage
5	Out of pocket expenses
6	Administrative time required
7	Complexity

How important do you believe offering health insurance as an employee benefit is in recruiting or retaining top quality employees?

■ Very
■ Somewhat
■ A little
■ Not at all





HEALTH INSURANCE OPTIONS AMONG NON-OFFERING EMPLOYERS

Among those employers who currently don't offer health insurance, 30 percent of respondents, the majority don't have any plans to do so in the coming year. Those who do plan to begin offering insurance cited employee expectations as the number one reason why, followed by their expectation that the Affordable Care Act will make it easier and/or more affordable to do so.

Among those who DON'T currently offer health benefits: Do you have plans to offer any health insurance benefits to your employees in the next 12 months?



Among those who DON'T currently offer health benefits who say they are planning to do so: Why are you going to begin offering health insurance?

I think my employees will expect it	33%
I think the Affordable Care Act will make it cheaper	20%
I think the Affordable Care Act will make it easier	13%
I want to provide a competitive compensation package	7%
My company is growing	7%
Other	20%

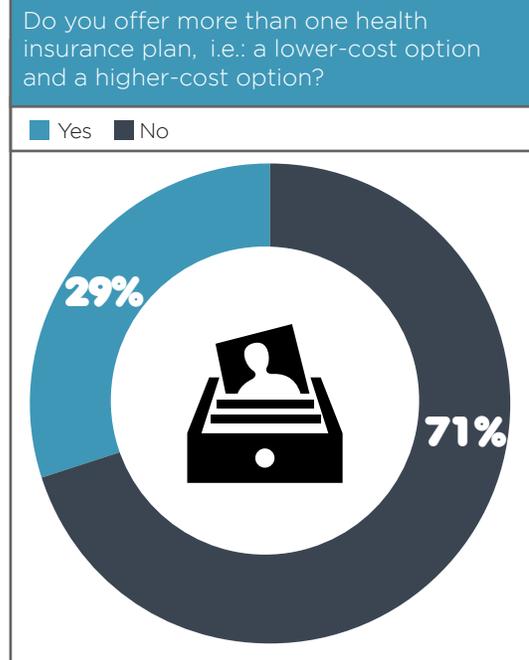


HEALTH BENEFITS OFFERED BY SMALL BUSINESS

Among the small businesses that do offer a health benefits plan, the most commonly offered plan is a traditional insurance PPO plan while the majority say they don't offer more than one health insurance plan. When it comes to cost sharing, the majority of small firms report paying for more than half of the cost of their employees' plans, including PPO and HMO insurance, vision and dental, and prescription and wellness plans.

Please indicate which of the following health-related benefits you offer. (Check all that apply)

PPO insurance plan	64%
Dental benefits	59%
Vision benefits	42%
High-deductible plan	33%
HMO insurance plan	30%
Health Savings Account	23%
Flexible Spending Account	21%
Wellness programs	17%
Prescription discount card	16%
Health Reimbursement Account	11%
Fitness programs and/or gym memberships	9%
Hospital discount card	1%
Other	5%



Among those employers offering the following benefits: please indicate your employer contribution toward the following health-related benefits.

	Offer, but don't contribute financially	1- 20%	21-50%	51-75%	76-100%
HMO insurance plan	8%	5%	14%	21%	52%
PPO insurance plan	3%	5%	13%	20%	59%
Vision benefits	25%	6%	7%	12%	51%
Dental benefits	23%	6%	10%	12%	49%
High-deductible plan	3%	5%	18%	18%	56%
Hospital discount card	56%	8%	16%	0%	24%
Prescription discount card	12%	3%	9%	19%	56%
Wellness programs	14%	10%	7%	14%	55%
Fitness programs and/or gym memberships	24%	10%	10%	6%	50%
Health Savings Account	31%	15%	13%	7%	32%



EMPLOYEES COVERED BY EMPLOYER BENEFIT PLANS

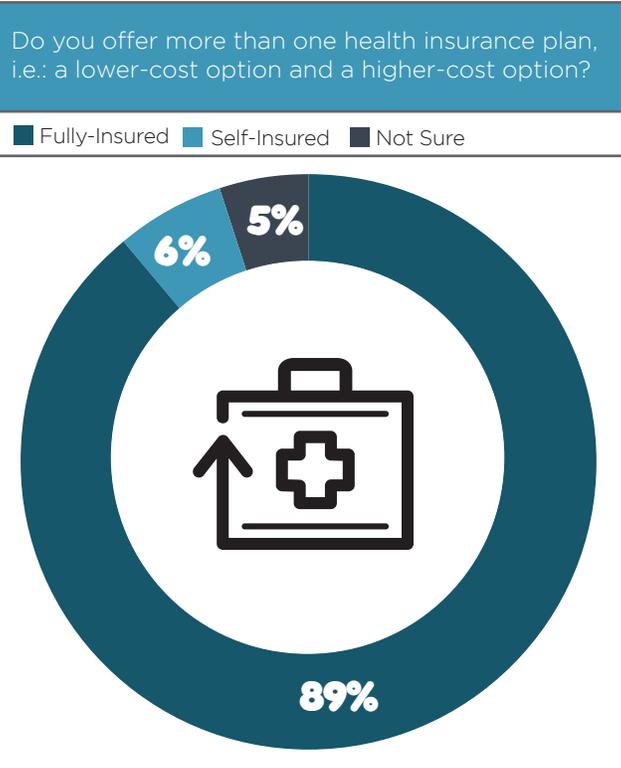
Most small businesses offer their health benefits package to full-time employees and their families, however just over half report offering the benefits package only to their full time employees. Less than one-in-ten offer health benefits to part-time employees. For half of all small employers, their insurance plans cover more than 80 percent of their workforce under their health insurance plan. Just 28 percent report covering less than 60 percent of their workforce under their health insurance plan.

Please indicate which employee groups you offer health benefits to. (Check all that apply)

Full-time employees only	51%
Full-time employees and a spouse	21%
Full-time employees and their families	62%
Part-time employees	5%
Part-time employees and a spouse	4%
Part-time employees and their families	7%

Approximately what percentage of your workforce is covered by your health insurance plan?

1% to 20%	7%
21% to 40%	9%
41% to 60%	12%
61% to 80%	22%
81% to 100%	50%



“Fully one-third of small businesses report holding off on hiring a new employee as a direct result of rising health insurance costs.”



HEALTH INSURANCE COSTS

Small employers ranked cost the number one factor in determining whether or not they offer health insurance, and costs continue to rise. Today the average monthly per-employee cost of health insurance premiums for a small firm is \$1,121. When asked in 2009 for the estimated monthly cost of their health benefits package, per employee, small firms reported \$590 per month. Beyond the health insurance premiums, employers report additional health-care related spending to the tune of \$458 per month, per employee.

Furthermore, a whopping 91 percent reported increases in their health plan at their most recent renewal while 96 percent reported increased health insurance costs over the past five years. The majority expect to continue seeing cost increases in the coming year.

Please estimate any additional monthly health care-related spending per-employee that you incur on behalf of employees, beyond your health insurance plan. (For example: monthly costs for wellness programs, employer contributions toward HSAs or HRAs, etc...)



\$457.66
on average

“ One in four small businesses reported insurance cost increases exceeding 20 percent at their most recent renewal. Over the last five years, 68 percent report increases exceeding 20 percent. ”

Please estimate the total monthly per-employee cost of your health insurance premiums. (Indicate the total cost - both what you and, if applicable, the employee pays toward the monthly premium.)



Average Family Plan Cost

\$2,084.67



Average Individual Plan Cost

\$1,121.02

At your most recent health insurance renewal, what per-employee changes did you experience in the cost of your health insurance plan?



91%

Increase



5%

Decrease



3%

No Change

How did your per-employee health insurance costs change over the last five years ?



96%

Increase



3%

Decrease



2%

No Change

Do you expect an increase to the cost of your health insurance premiums for the upcoming year?



82%

Increase



9%

Decrease



9%

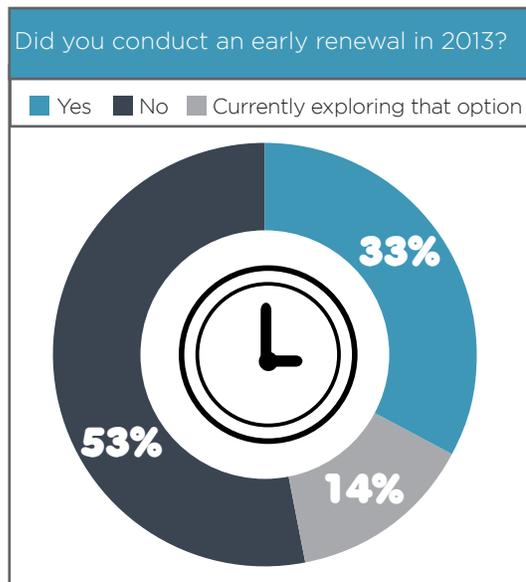
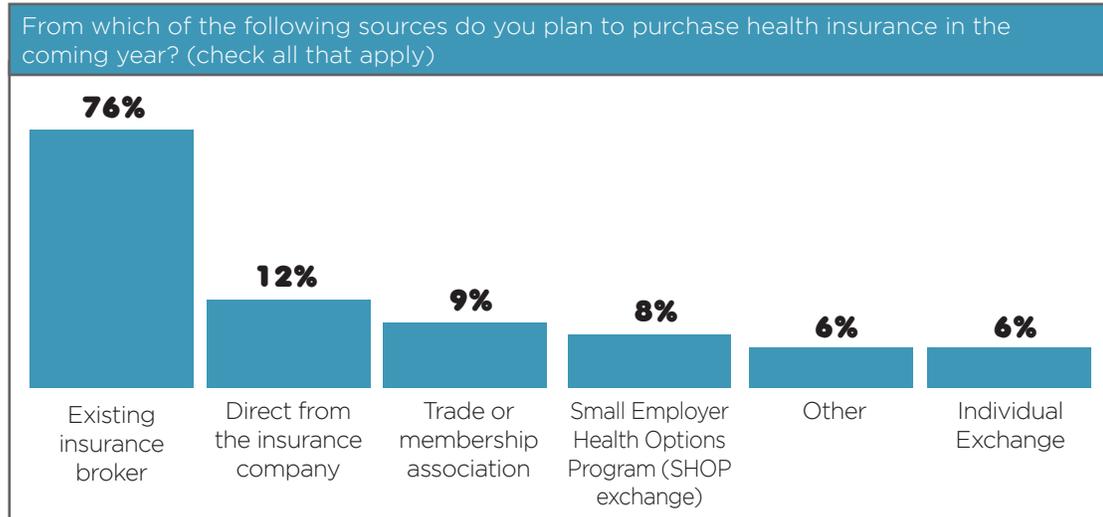
Not Sure



HEALTH INSURANCE PURCHASING

Insurance brokers play an integral role in small-business health insurance with 76 percent of small businesses saying they plan to purchase insurance through their existing broker in the coming year. No surprise given the complexity and various delays with the Affordable Care Act, less than one-in-ten plan to purchase health insurance through the Small Employer Health Options Program (SHOP exchange), and this survey was taken prior to the announced delay by one year of the SHOPs.

Nearly half of small firms are considering or already have done an early renewal to avoid increased costs projected under the Affordable Care Act.



Among those who did, or considered an early renewal: Why did you conduct or are you considering an early renewal in 2013? (check all that apply)

To avoid increased costs due to the Affordable Care Act	70%
Encouraged by broker	38%
Avoid the new required benefits	18%
Delay confronting the Affordable Care Act as long as possible	34%
Other	12%

Please indicate how your company accesses and utilizes cost and quality information in your health plan. (Check all that apply)

The insurance company provides information directly to anyone enrolled	50%
I provide it to my employees based on information from our insurance company and/or broker	48%
I utilize external resources such as Health Grades	4%
I receive very little information from my insurance company and/or broker about cost and quality of providers	9%
I do not receive or utilize any cost or quality information	12%
Other	3%



IMPACT OF RISING HEALTH CARE COSTS

The real-world implications of rising health care costs are forcing small businesses to make very difficult choices about their business. When asked the impact of rising health insurance costs, the majority have responded by increasing employees' deductibles as well as holding off on salary increases. Slightly more than one-in-ten report they had to lay off an employee due to rising health insurance costs. Employers are planning for more and more changes to their health plans in the coming year to address these costs, with 15 percent planning to drop coverage altogether—up from just two percent who reported dropping coverage in the last year.

What is the impact of health insurance increases on your business? (Check all that apply)

Less profit available for general business growth	66%
Increased deductible	54%
Held off on salary increases for employees	53%
Increased employee share of the premium	46%
Reduced employee benefits	40%
Held off on hiring a new employee	34%
Switched insurance carriers	26%
Held off on implementing growth strategies	24%
Delayed purchase of new equipment	22%
Increased prices	22%
Reduced workforce/laid off an employee	12%
Dropped insurance	6%
Other	6%

Health-related changes considered by small-business owners

	Last 12 Months	Next 12 Months
Increase employee's contribution	29%	42%
Reduce benefits offered	19%	29%
Drop coverage and give money directly to employees to purchase insurance individually	3%	23%
Change insurance company	12%	18%
Drop coverage	2%	15%

In the LAST 12 months, have you made any of the following changes? (Check all that apply)

Change to policy with higher deductible	36%
Change to policy with higher co-payments	30%
Increase employee's contribution	29%
Reduce benefits offered	19%
Change insurance company	12%
Add a Health Savings Account plan	6%
Switch to HMO or PPO plans	6%
Institute wellness programs	4%
Drop coverage and give money directly to employees to purchase insurance individually	3%
Drop coverage	2%
Switch to full or partial self-insured	2%
Switch to cafeteria-style program	1%
Institute managed care	1%
Other	2%
None of the above	33%

In the NEXT 12 months, are you considering making any of the following changes? (Check all that apply)

Increase employee's contribution	42%
Change to policy with higher deductible	34%
Change to policy with higher co-payments	32%
Reduce benefits offered	29%
Drop coverage and give money directly to employees to purchase insurance individually	23%
Change insurance company	18%
Drop coverage	15%
Add a Health Savings Account plan	8%
Switch to full or partial self-insured	6%
Institute wellness programs (preventive care)	4%
Switch to HMO or PPO plans	3%
Switch to cafeteria-style program	3%
Institute managed care	1%
Other	6%
None of the above	23%



SMALL BUSINESS & THE AFFORDABLE CARE ACT

Given the growing awareness and public discourse over the Affordable Care Act, more small businesses say they clearly understand the law's impact on their business than had previously. That said, the majority still have a limited to no understanding whatsoever. The average time it takes per month for small businesses to stay abreast of all the changes to health care is 13 hours and a monthly cost of \$1,274—and that's just on the administrative side of understanding the law itself.

One fourth report they will receive any benefit from the small-business health care tax credits.

Regarding their experience with the new Affordable Care Act infrastructure, the majority of small firms have had no interaction with the various pieces—including the individual exchanges, SHOs and tax credits. Those that have, reported by and large a negative experience.

If you qualify for the small-business health care tax credits, how much will they help your business?

Significantly	8%
Moderately	8%
Just a little	9%
Not at all	16%
I do not qualify	25%
I'm not sure if I qualify	25%
I don't offer health insurance and don't plan to	9%

Please estimate the time and cost it takes your company to stay abreast of all the health care changes and ensure your continued compliance



13
average hours spent



\$1,274.16
average cost per month

How well would you say you understand how the Affordable Care Act is going to impact your business?



42%
CLEAR
UNDERSTANDING



46%
LIMITED
UNDERSTANDING



12%
NO
UNDERSTANDING

Are you restructuring your workforce in any way due to the Affordable Care Act? (Check all that apply)

I am not restructuring my workforce due to the Affordable Care Act	48%
Not growing	33%
Subcontracting more projects out instead of hiring on employees	15%
Hiring more part-time versus full-time employees	14%
Reducing hours for existing employees	10%
Considering leasing employees	7%
May utilize a Professional Employer Organization (PEO)	2%
Other	6%

“One third of small firms say they are purposefully not growing as a result of the Affordable Care Act.”

Please indicate what your first-hand experience has been to date with the following provisions of the Affordable Care Act.

	Positive	Neutral	Negative	No experience
Individual Exchanges	5%	6%	28%	62%
SHOs (small business exchanges)	3%	5%	18%	74%
Small business health care tax credits	4%	9%	21%	65%
Premium assistance tax credits	3%	5%	18%	74%
Healthcare.gov website	3%	7%	32%	57%
State-run exchanges	4%	7%	19%	71%



METHODOLOGY

The 2014 Small Business Health Care Survey was conducted on-line Nov. 20 - Dec. 4, 2013 among more than 780 small-business owners—both members and nonmembers of NSBA—with fewer than 500 employees representing every industry in every state in the nation.

