



NEWS RELEASE

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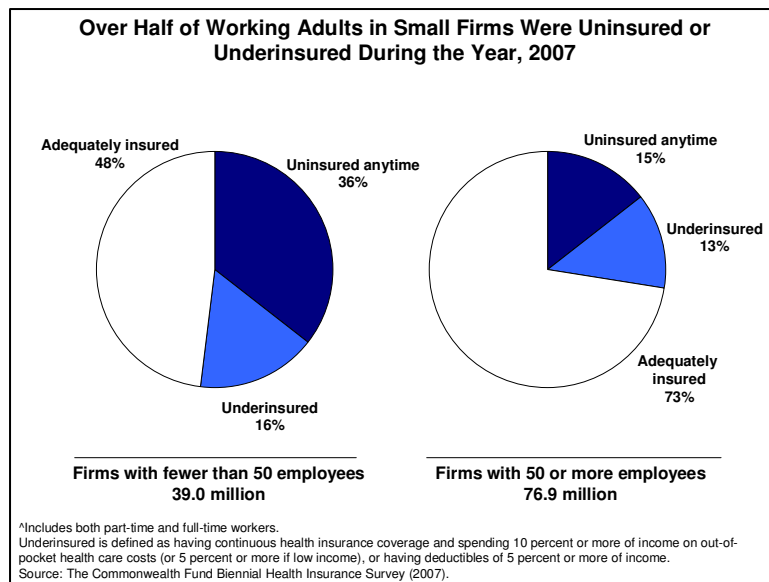
Small Business Owners and Employees Would See Lower Costs, More Comprehensive Health Coverage from Health Reform Proposals

52 Percent of People Working For Small Businesses Are Uninsured or Underinsured; Small Business Owners Facing High Health Care Costs Are Increasingly Unable to Offer Health Insurance to Employees

September 9, 2009, New York, NY—Small business owners and employees are among those who stand to benefit the most from provisions in some of the current health reform proposals under consideration by Congress according to a Commonwealth Fund report released today. Provisions to extend health care coverage to everyone and repair the small group insurance market would alleviate high premium costs, high broker fees, underwriting, and a lack of transparency about benefit packages that small business owners currently face.

Currently, 39 million Americans work for small businesses (defined as those with fewer than 50 employees) and only 25 percent of them have health insurance through their employer, the report, *Out of Options: Why So Many Workers in Small Businesses Lack Affordable Health Insurance and How Health Care Reform Can Help*, finds.

While some workers buy coverage on their own or obtain coverage through a family member, half (52%) of people working for small businesses are uninsured or underinsured, compared to 28 percent working for larger firms. The gap in employer coverage between large and small firm employees widened over 2003 and 2007. In addition, when small business employees do have coverage, it is often less comprehensive: 48 percent have health insurance plans with lifetime coverage limits, compared to 37 percent of employees in large firms.



"Small businesses are vital to the strength of our economy, and under our current system they don't have the ability to provide affordable, comprehensive health insurance to their employees," said Commonwealth Fund President Karen Davis. "Health reform provisions that take into account the insurance problems currently facing small business owners and their employees will provide security and stability to a large and important segment of the American workforce and their families."

The report analyzed the effect specific pieces of legislation will have on small business and found there are several broad categories of reform that would improve the ability of small businesses to provide coverage and for their employees to afford coverage if they do not:

- **The ability to purchase health insurance through the new health insurance exchange** would guarantee a standard benefit package, eliminate lifetime maximums, and control premium costs. Eligibility for this option varies in current Congressional bills under consideration, with the Senate Health, Education, Labor and Pensions (HELP) Committee bill opening the exchange to firms with fewer than 50 employees and the House Tri-Committee bill opening it to firms with 10 or fewer employees the first year and those with up to 20 employees in subsequent years. An amendment to the House bill by the Education and Labor Committee would increase eligibility to 15 employees in year one, 25 in year two, and no fewer than 50 employees in year three.
- **An exemption from any requirement to offer health insurance to employees or pay into a fund to finance coverage** would protect very small businesses.. Again, eligibility varies with the Senate HELP bill exempting employers with fewer than 25 employees and the House Tri-Committee bill exempting small businesses with a payroll of less than \$500,000 a year. The House bill phases in the payments as payrolls rise.
- **Tax credits provided to small businesses offering health insurance to their workers would** help further offset premium costs for businesses that choose to offer coverage to their employees. The tax credits would vary depending on size of the firm, the average wage, and the percent of the premium that the employer pays.
- **Premium subsidies to purchase coverage through the health insurance exchange and higher income eligibility limits in Medicaid** would help those small firm low-wage workers who do not have access to health benefits through their jobs.

"Small businesses and their employees have a great deal to gain from the health reform proposals under discussion in Congress," said Sara Collins report co-author and Commonwealth Fund Vice President for Affordable Health Insurance. "The reforms have the potential to increase both the affordability and comprehensiveness of health insurance

available to small businesses and individuals by protecting them from underwriting on the basis of health, establishing new standards for health benefits, and lowering their premium costs."

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.

Methodology

The findings in this report come from The Commonwealth Fund's 2007 Biennial Health Insurance Survey. The Commonwealth Fund 2007 Biennial Health Insurance Survey was conducted by Princeton Survey Research Associates International from June 6, 2007, through October 24, 2007. The survey consisted of 25-minute telephone interviews in either English or Spanish and was conducted among a random, nationally representative sample of 3,501 adults age 19 and older living in the continental United States. The analysis in this issue brief is based on the 1,716 respondents ages 19 to 64 who were either full-time or part-time workers. Statistical results are weighted to correct for the disproportionate sample design and to make the final total sample results representative of all adults age 19 and older living in the continental United States. The data are weighted to the U.S. adult population by age, sex, race/ethnicity, education, household size, geographic region, and telephone service interruption, using the U.S. Census Bureau's 2006 Annual Social and Economic Supplement. The resulting weighted sample is representative of the approximately 122 million workers ages 19 to 64.