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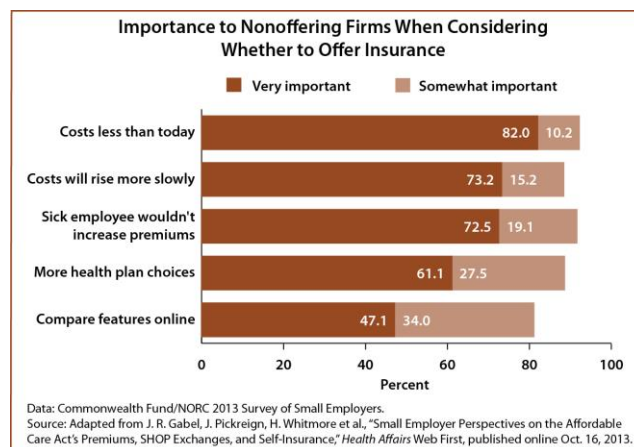
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NEW SURVEY: SMALL-BUSINESS OWNERS GIVE HIGH RATINGS TO FEATURES OF NEW ‘SHOP’ MARKETPLACES, VALUE CHOICE OF PLANS FOR THEIR EMPLOYEES, HAVE BENEFITTED FROM AFFORDABLE CARE ACT

NORC/Commonwealth Fund Survey Finds Potential for Small-Businesses to Self-Insure Could Risk Success of SHOP Marketplaces

New York, NY, October 16, 2013—A majority (56%) of small-business owners who currently provide their employees with health benefits are interested in being able to offer a choice of health plans while paying a fixed cost, with the employee paying extra for choosing a more expensive plan, according to a new NORC study supported by The Commonwealth Fund and published today as a *Health Affairs* Web First. This type of coverage option is a key feature of 17 of 18 state-run Small Business Health Insurance Options (SHOP) marketplaces, or exchanges, through which employers can buy health insurance policies for their workers. Federally run marketplaces will also offer it beginning in 2015.



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The study, *Small Employer Perspectives on the Affordable Care Act's Premiums, SHOP Exchanges, and Self-Insurance*, led by Jon Gabel, senior fellow at NORC at the University of Chicago, also found that many small-business owners and their employees have already been affected by the Affordable Care Act. Twenty-two percent of firms surveyed have extended health insurance coverage to their employees' adult children as a result of the law, providing coverage for an estimated 725,000 young adults, and 16 percent had received rebates from insurance companies that spent too much money on administrative costs.

“Most small-business owners want to provide good health insurance to their employees, but many simply have not been able to afford it,” said Sara Collins, Vice President for Health Care Coverage and Access at The Commonwealth Fund. “The Affordable Care Act has already taken steps, like tax credits, to lower the cost of coverage for small employers. The launch of the

SHOP marketplaces, coupled with extensive insurance market reforms that ban insurers from charging companies with sick employees more, may further reduce costs and allow business to make informed health plan choices.”

In the survey of more than 600 small-business owners (those with between three and 50 employees), Gabel and coauthors found that 80 percent of small businesses offering coverage use health insurance brokers or agents. These brokers act as benefit managers for many firms, carrying out a range of functions, including choosing health plans. Because insurance brokers play a considerable role in this market, the degree to which they view the marketplaces as options for employers may affect small-business participation. Low participation will make it difficult to spread out risk and keep premiums affordable. If premiums for plans offered in the marketplaces become too high, more potential enrollees could be lost.

The SHOP marketplaces might also become unaffordable and lose potential enrollees if substantial numbers of small businesses decide to self-insure—provide insurance to their employees themselves, by setting money aside to pay employees’ health claims. The report finds that among firms using an insurance broker, 26 percent reported that their broker discussed the possibility of self-insuring in 2014.

Self-insured firms do not have to provide essential health benefits under the Affordable Care Act, nor do they pay taxes on their premiums, thus providing incentives for small firms to self-insure.

“If SHOP exchanges are to succeed in fulfilling their goal of providing affordable coverage, small businesses need to be educated about exchanges and discouraged from self-insuring,” Gabel said. He added that “small-business owners find the features of the SHOP exchanges attractive, which means there is a real potential for them to be successful, and even encourage those who aren’t currently providing coverage to their employees to do so.

Small Businesses Want to Cover Their Workers; Favor SHOP Features

The study found that in 2013, 60 percent of small businesses offered health insurance to their workers and 41 percent of employees chose to enroll in some of this coverage. When business owners who did not offer insurance were asked why they did not, 75 percent cited costs as the most important reason. The study also found that 37 percent of firms not currently offering coverage had shopped for it in the past five years. Firms located in the East and Midwest were more likely to have shopped than those in the South and West.

When firms that currently offer health insurance were asked what would make health benefits easier, less expensive, and a better value, the survey found that:

- Sixty-eight percent said it would be very important to be able to compare plans, costs, benefits, physicians in the network, and other features.
- Sixty-six percent said that having a broader choice of plans mattered more than being able to buy coverage from the dominant carrier in their state.
- Eighty-two percent said they would select a narrow-network plan that contracted with 25 percent of the doctors and hospitals in the community, if it would provide premium savings of 20 percent over a broad network plan.

“Until now, the small-group health insurance market has worked poorly, or not at all, for many businesses,” said Commonwealth Fund president David Blumenthal, M.D. “The Affordable Care Act’s SHOP exchanges and market reforms have the potential to level the playing field for small-business owners so that, like large companies, they will be able to purchase affordable, comprehensive health insurance for their employees.”

The will be available at: <http://content.healthaffairs.org/lookup/doi/10.1377/hlthaff.2013.0861>

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