



SMALL BUSINESS OWNERS AND THEIR EMPLOYEES STAND TO GAIN UNDER SENATE HEALTH BILL

The steady [erosion of the share of working people whose employers provide health insurance coverage](#) has been most acute among the half of adult workers employed by businesses with 50 or fewer employees.

The chief reason for this disparity is that small businesses are charged much higher premiums than large ones are for each covered employee – nearly one-fifth more for the same coverage. The predictable result is that just over one in three workers at firms with fewer than ten employees now has employer-provided coverage, while almost all workers at firms of 200 or more employees are covered.

The reform package proposed by the Senate on November 18 would go a long way toward rectifying this inequity. A new issue brief titled [“Senate Health Bill Scores Big for Small Business.”](#) published today by the Economic Policy Institute, explains how. Elise Gould, EPI’s director of health policy research, and researcher Alexander Hertel-Fernandez point out the roadblocks that are putting health care coverage further out of reach for small businesses and explain how the Senate’s approach would help overcome those obstacles.

The higher costs to small businesses are a byproduct of the way that insurance rates are calculated and the fact that small businesses, by definition, do not have a large enough pool of employees to spread out the costs and enable them to qualify for more advantageous rates. What’s more, the report shows, small businesses also have a much smaller number of insurers to choose among, and they pay much higher administrative costs – from 20 to 25 percent of premium costs, as opposed to 10% paid by larger firms.

The smaller pool of employees also means that if one or more suffer serious illnesses, premiums can rise substantially, making it difficult if not impossible for employers to anticipate what their costs will be from one year to the next.

“The current health care insurance system creates a sizeable penalty for small businesses that want to offer coverage to their employees,” said Gould.

Gould and Hertel-Fernandez find that the vast majority of small businesses stand to gain from the legislation currently being considered by the Senate and that small businesses as a group are some of the largest winners from health reform.

“The Senate’s proposal would provide small businesses with the opportunity to purchase quality coverage at stable, affordable rates,” said Hertel-Fernandez.

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Major improvements cited by the authors would include:

- Insurance coverage will become much easier to purchase for small firms with the creation of new regulated insurance markets.
- Insurance costs will become much more stable and predictable for small firms, even if one or more of their workers requires medical care or their workforce number or composition changes from year to year.
- Very small, low-wage firms would see considerable reductions in their premiums due to new tax credits, with savings averaging 8-10% of total premium costs according to the Congressional Budget Office.
- Firms with fifty or fewer workers are not subject to any penalties if they choose not to provide health insurance to their workers.

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