



The Iowa Policy Project

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POLICY SNAPSHOT

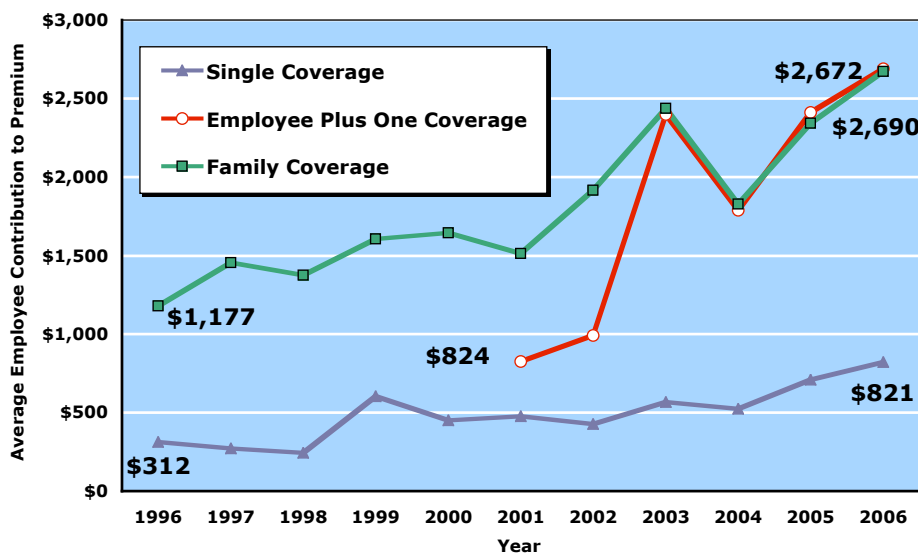
Leveling Field for Small Business Health Costs Concern Owners, Employees

By Andrew Cannon

Small businesses — employing some 800,000 Iowans — are a key to Iowa’s economic strength.¹ As health-care costs have continued to rise, though, small-business owners have had to make some difficult decisions. In Iowa, fewer small-business employees receive insurance through their employer than they did 10 years ago, and those who do are contributing much larger chunks of their paychecks to insurance costs. Some important facts about small businesses and health insurance nationally:

- The average annual health insurance premium for small businesses **more than doubled** in 10 years, rising 113 percent from 1999 to 2009.² In Iowa, the average family premium increased from \$4,771 to \$9,236 (a 94 percent increase) between 1996 and 2006.³
- Nationally, small businesses pay 18 percent more on average in premiums than larger firms for plans with comparable benefits.⁴

Figure 1. Employee Contributions to Insurance Rapidly Rising



Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey — Insurance Component (2008).

Bill and Jeanne Hammen have operated their jewelry shop in Grinnell for about 23 years and provided health benefits to employees for the past eight. The Hammens pay \$1,000 a month in premiums for a policy to cover their own family and \$400 a month each to cover two individual employees. In the past eight years, the Hammens have seen health-care costs continue to climb — so much so that they have had to offer a plan with a much higher deductible and lower benefits, even as their premiums have increased.

“In order to be able to keep offering coverage, we’ve had to cut benefits and offer a lower quality plan to be able to afford it,” Bill said.

Initially, the plan Bill’s Jewelry Shop offered its employees had a \$25 copay for office visits and a \$1,500 deductible. The plan that now covers the Hammens and their employees has a \$35 copay and \$3,500 deductible. The Hammens could shop around for another insurance plan, but they fear being excluded from a new plan with pre-existing conditions involved.

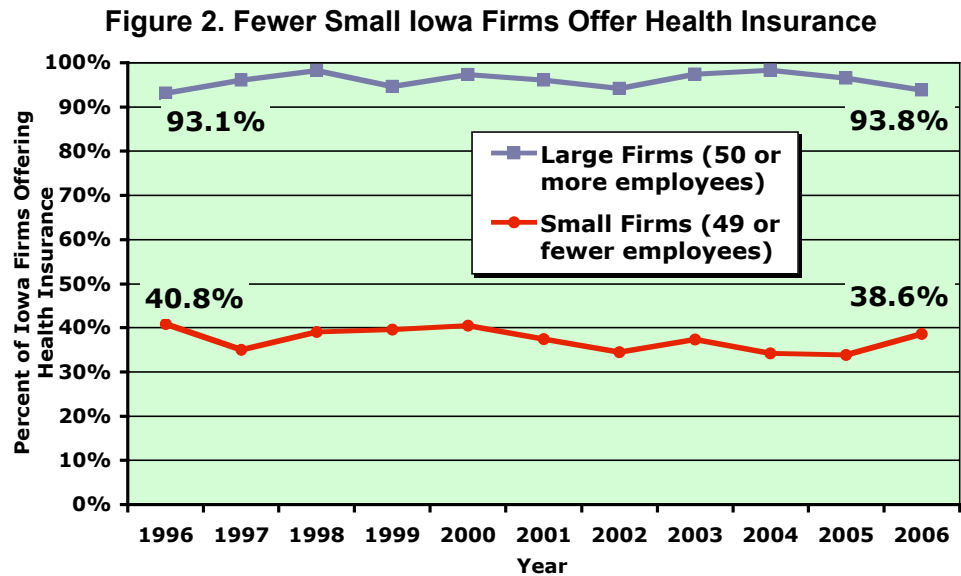
Facts about small business and health care in Iowa:

■ Employee contributions to health insurance premiums *more than doubled* since 1996. (Figure 1)⁵

■ In 2006, only **38.6 percent** of small businesses in Iowa (50 or fewer employees) offered health insurance to their employees, compared to nearly **94 percent** among businesses with 50 or more employees. (Figure 2)⁶

■ Of the Iowa small businesses that do not offer health insurance to employees, **85 percent** say that they cannot afford it. Of the small businesses in Iowa that do offer health insurance, **52 percent** say that doing so is a large financial burden.⁷

■ Some **76 percent** of Iowa small-business owners see the current health-care system as a major barrier to entrepreneurship.⁸



Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey — Insurance Component (2008).

Small-business owners cannot survive economically if they continue to face double-digit increases in health-care costs — and neither can their employees. Health-care reform must ensure that small business have access to affordable, quality health-care coverage.

Andrew Cannon is a research associate at the Iowa Policy Project, where he specializes in economic opportunity and budget and tax issues affecting Iowans.

¹ Kathryn Kobe, “The Small Business Share of GDP, 1998-2004,” Small Business Administration, Office of Advocacy: (April 2004).

² Kaiser Family Foundation, “Employer Health Benefits Annual Survey” (March 2009).

³ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey – Insurance Component (2008).

⁴ Jon Gabel, Roland McDevitt, Laura Gandolfo, et al., “Benefits and Premiums in Job-Based Insurance,” Commonwealth Fund (2006).

⁵ AHRQ, op. cit.

⁶ Ibid.

⁷ Small Business Majority, “Report: Iowa Small Business Healthcare Survey” (July 7, 2009).

⁸ Ibid.

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Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit organization based in Mount Vernon, with its principal office at 20 E. Market Street, Iowa City, IA 52245.

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