

TEXAS VOICE FOR HEALTH REFORM

Texas Small Businesses are Big Winners in Health Reform

Texas small business owners and employees may stand to gain the most of all from health reform. Small businesses will get substantial tax credits to help pay for coverage, more affordable insurance choices, and stable and secure premiums that will not go through the roof if an employee gets sick.

The Health Insurance Status Quo Hurts Small Businesses

Small businesses are disproportionately squeezed by skyrocketing health care costs. The health insurance status quo is too expensive and too uncertain for small businesses.

- Today, small businesses pay 18 percent more on average than large businesses for the exact same health insurance policy.¹
- In Texas, small businesses are subjected to big premium mark-ups if they have fewer than 10 employees, employees with health conditions, or older employees. Texas Department of Insurance data show small firms pay up to \$1,900 per employee per month for coverage, nearly five times the average small business rate and more than two-and-a-half times the maximum rates paid by large employers.²
- Texas' smallest businesses—those with fewer than 10 employees—pay the 7th highest premiums in the nation with an average premium of \$13,032 a year for family coverage.³
- Over the last decade, average health insurance premiums paid by Texas small businesses shot up 75 percent.⁴
- The high cost of coverage for small businesses prevents most from providing coverage. Only 33 percent of business with fewer than 50 employees offers coverage in Texas compared to 92 percent of larger firms.⁵
- Compared to other states, Texas ranks 46th—near the bottom—in the percentage of small businesses that offer coverage.⁶
- Small employers in Texas want to offer coverage—78 percent that do not offer coverage today report they would like to, but most simply cannot afford to.⁷

Health Reform Targets Help to Small Businesses

Most businesses in Texas are small businesses—67 percent of private businesses in Texas employ fewer than 25 workers.⁸ Health reform bills being debated in Congress will dramatically improve health insurance affordability for Texas small employers and their workers.

- Small businesses can buy health insurance through an “exchange”—a marketplace where employers can easily compare a variety of health insurance options, including a public

option and non-profit insurance options, and get clear information on price, quality, and benefits.

- Small businesses with coverage today can keep it if they like it, or switch to new affordable options if they prefer.
- Small businesses will have a choice about whether to offer coverage:
 - If they offer coverage, many will qualify for tax credits to make coverage affordable. Over 300,000 Texas small employers or 67 percent of all private businesses in Texas could qualify for tax credits of up to 50 percent of the costs of providing health insurance based on their size and payroll.⁹
 - If they choose not to offer coverage, their employees can purchase high-quality coverage directly through the exchange.
- The smallest businesses, those with fewer than 25 employees (67 percent of Texas businesses) or under \$500,000 a year in payroll (82 percent¹⁰ of Texas businesses), are exempt from requirements to provide coverage. To keep mid-size and larger employers from dropping the coverage they provide today, reform bills require them to provide coverage or contribute to a pool that helps pay for coverage. And, the “penalty” for larger firms that do not provide coverage will be much less than the cost of coverage. For example, under the House Energy and Commerce Committee bill, a business with 30 full-time employees and a payroll of \$750,000 could either provide health insurance at a cost of around \$108,000 a year (to cover 75 percent of the premium for employee-only coverage) or pay an assessment of \$60,000 (8 percent of payroll). Under the Senate bill, that same business would pay a much lower assessment if it opts not to provide coverage, but would also qualify for tax credits if it provides coverage.
- Insurance companies will be prohibited from denying or delaying coverage based on workers’ health conditions or pricing small businesses out of the market because of their industry or their workers’ ages or health conditions.
- Reform bills include changes to slow national growth of health care costs, which will benefit the whole economy and help improve the bottom line for small businesses.

For small businesses to thrive, the health care burdens they face today must be reduced. Health reform promises health insurance security and stability for Texas small businesses and their employees.

¹ President’s Council of Economic Advisors, *The Economic Effects of Health Care Reform on Small Businesses and Their Employees*, July 25, 2009.

² Texas Department of Insurance, *2006 Group Accident and Health Insurance Survey*.

³ Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey - Insurance Component*, 2008.

⁴ AHRQ, *Medical Expenditure Panel Survey - Insurance Component*, 1999 and 2008.

⁵ AHRQ, *Medical Expenditure Panel Survey - Insurance Component*, 2008.

⁶ AHRQ, *Medical Expenditure Panel Survey - Insurance Component*, 2008.

⁷ Texas Department of Insurance, *Texas Small Employer Health Insurance Survey Results*, May 2009.

⁸ AHRQ, *Medical Expenditure Panel Survey - Insurance Component*, 2008.

⁹ AHRQ, *Medical Expenditure Panel Survey - Insurance Component*, 2008.

¹⁰ Estimate based on August 2009 Texas Workforce Commission data on percentage of Texas employers contributing to Unemployment Insurance with payrolls under \$500,000.