



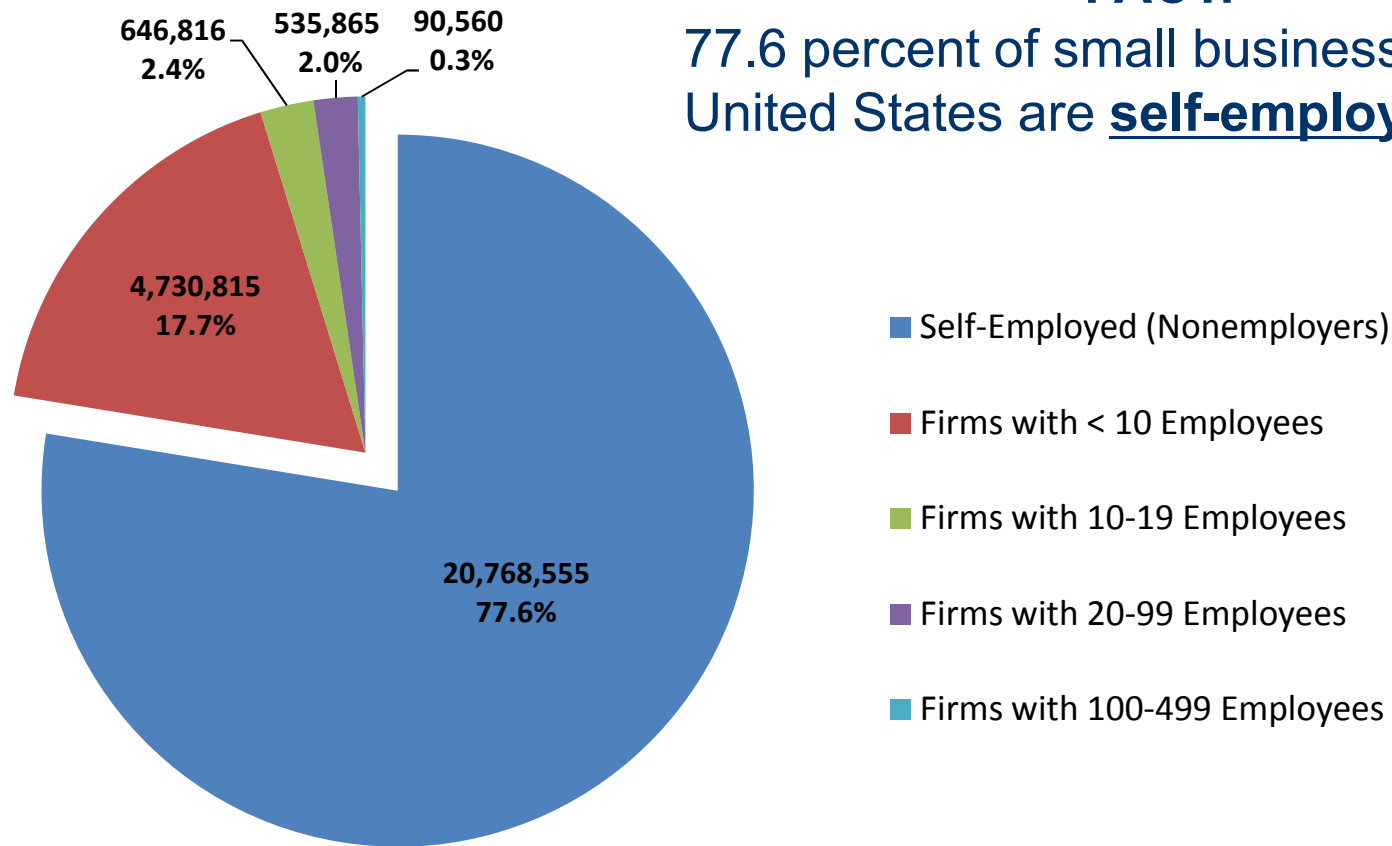
Flexibility and Cost in Health Coverage

Self-Employed/ Micro-Business
Perspective

The Majority of U.S. Small Businesses are Self-Employed

FACT:

77.6 percent of small businesses in the United States are self-employed.



Source: U.S. Census Statistics of U.S. Businesses and Nonemployer Statistics, 2006

Prepared by the National Association for the Self-Employed (NASE)
www.NASE.org

Self-Employed Businesses are Helping to Drive U.S. Economic Growth

- The United States added nearly 1 million self-employed businesses between 2006 and 2007, bringing the total to 21.7 million, according to the U.S. Census Bureau. This is a 4.5 percent growth rate over one year.
- The self-employed added \$992 billion to the U.S. economy in 2007, up from \$970 billion in 2006, which is a 2.2 percent increase.

Health Insurance Coverage for Self-Employed

- Majority of the self-employed purchase health coverage in the individual health insurance market. Though there are a number of states that allow for a “group of one” offering the self-employed access to the small group market.
- According to NASE’s 2008 study, *Health Coverage: A Micro-Business Perspective*, 46.8% of respondents presently offer health insurance (either for the owner or the employees) through their business.

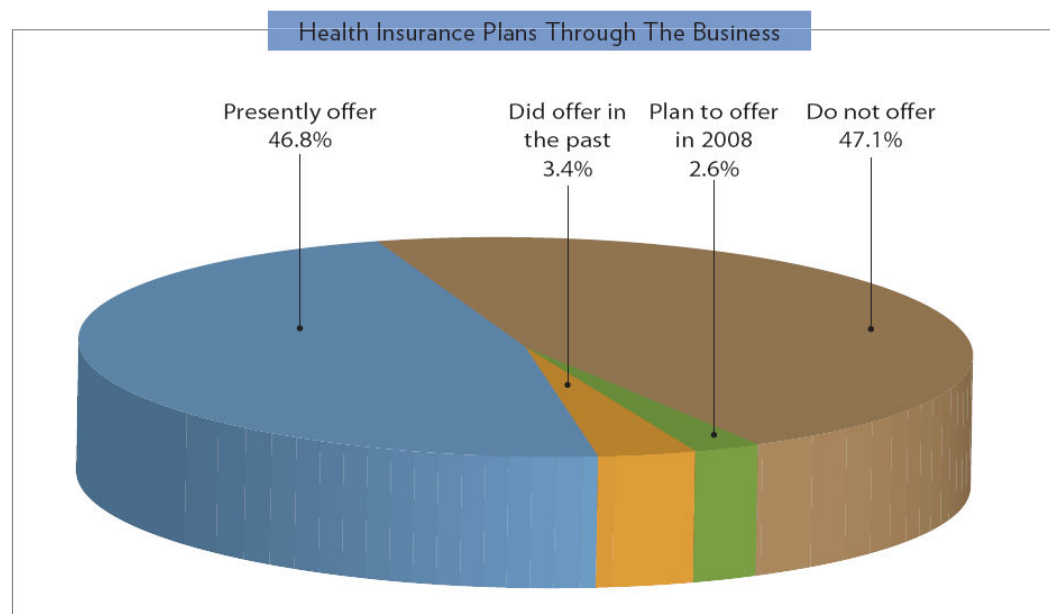


Exhibit 11 from the National Association for the Self-Employed's *Health Coverage: A Micro-Business Perspective Survey*. Published June 2008.

Health Insurance Coverage for Self-Employed

- Of this 46.8% that offer health insurance (either for the owner or the employees) through their business, only 18.6% offer coverage for full-time employees. That is a significant decline from 2005, when 46.2% reported covering full-time employees.
- In 2008, one in 10 respondents were spending 25% or more of their gross revenue on health insurance. This value was only 10.1% in 2005.

Essential Benefits Requirements

- Cost is key to self-employed and micro-business communities.
- New minimum coverage requirements (i.e. essential benefits) to be put forth by HHS will significantly affect cost of coverage.
- Essential Health Benefits Requirements will limit self-employed business owner's flexibility with plan design and deductible levels.

Premium Subsidies and Small Business Health Tax Credit

- Small Business Health Tax Credit excludes the self-employed, defined as a one-person business, or any qualifying small business which has a spouse, a child, other family members or relatives working in the business.
- The self-employed can qualify for premium subsidies for individuals and families once they take effect in 2014. To qualify, an individual must make below \$43,340 and a family of four must have a household income below \$88,200.
- Average household income for NASE self-employed member, \$62,500 for self and spouse. Smaller percentage claim an additional dependent and may qualify for small subsidy.
- Many of the self-employed are “in between”, making too much to qualify for premium assistance but too little to afford comprehensive coverage.

Mandates

- The individual mandate will be of most concern to the self-employed and micro-business communities, which overwhelmingly oppose mandates.
- Additionally, for those micro-businesses with employees who are not providing access to coverage, their employees will be subject to the individual mandate providing added burden onto workers.

Conclusion

95.3% of the small business population – the self-employed and micro-businesses (fewer than ten employees) – will be required by law to purchase health coverage that will likely be more expensive and less flexible than their current coverage.

Most importantly, they will not receive any financial assistance to help them pay for this mandated coverage.