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## 2002 Press Releases

**For Immediate Release:**

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### **Affordable Health Care: Conditions Critical for Self-Employed, Study Shows**

#### **NASE 'Affordability in Health Care' Study Highlights Issues of Working Uninsured**

**Washington, D.C., June 18, 2002 --** The state of health care among the nation's self-employed and micro-business is critical. More than two-thirds of micro-business owners say they are unable to afford health insurance for themselves or their employees, according to a new study released by the National Association for the Self-Employed (NASE). The study highlights the serious difficulties micro-businesses face regarding health care amid insurance rates that are significantly higher than those paid by larger businesses and coverage options that are much more limited.

In a press conference today, federal policymakers joined with the NASE to spotlight the dramatic challenges and cost inequities among the self-employed when it comes to health insurance and to call for major reforms that would provide a more level playing field for these micro-businesses. For more on Congress' reaction to the NASE study results, [click here](#).

Seven in 10 owners of the smallest businesses report they do not provide any type of health care coverage to eligible employees, according to the NASE "Affordability in Health Care" study. Costs are cited as the chief reason for this trend. Participants in the study say the situation is worsening as health insurance premiums for micro-businesses are increasing at double-digit rates while insurance benefits and plan choices are decreasing.

Access to affordable health care coverage for small firms - roughly half of all U.S. employer firms - is interwoven with the nation's broader health care crisis, affecting 53 percent of the private workforce. Census data indicates that among the estimated 43 million Americans without health insurance, 62 percent (24.5 million) are from families in which the head of household is self-employed or working for a company with fewer than 100 employees. On average, workers in firms with less than 10 employees pay 18 percent more for health insurance than workers at larger firms.

A study released by the General Accounting Office (GAO) in April reported that the self-employed and small businesses have been hit hardest by lack of competition in small-group health insurance, a situation which is contributing to strong and sudden increases in premiums for coverage.

According to the NASE study, health care reform is at the top of the list of pressing issues micro-business owners would like the federal government to focus on in the months ahead.

"The businesses that can least afford it are paying disproportionately more than bigger businesses for access to quality health insurance," said Robert Hughes, NASE president and one of the nation's leading advocates for federal tax and other reforms that would help make health insurance more affordable for small businesses. "Finding solutions that provide a fair shake for these enterprises not only is in the best interest of small-business owners; it's in the best interests of the nation as a whole."

#### **Premiums High and Rising While Choices Narrow**

According to the study, the cost of health insurance premiums incurred by micro-businesses increased by an average of almost 13 percent from 2001 to 2002. With this in mind, it may not be surprising that 96 percent of micro-business owners believe the cost of insurance is unreasonable for their business. Nearly half (46 percent) say their employees cannot afford to share in the cost of coverage premiums. Among those companies who offer insurance programs, one in three (33.5 percent) report their employees share in the cost of premiums.

The overwhelming majority of respondents (72.8 percent) strongly believe that small businesses should have equal access to health insurance plans currently available only to larger businesses. One in 10 say the health insurance options to which they have access fit the needs of their business.

In addition to costs, administrative burdens also make it difficult for micro-businesses to provide health insurance, the survey reports. Thirty-six percent of respondents say that acquiring insurance presents too much administrative burden for their lean organizations.

### **Call for Tax Reforms, Group Buying Power**

A core issue is inequalities in the tax code in which self-employed individuals must pay self-employment tax on health insurance for themselves and dependents. Under the current tax code, micro-business owners are subject to federal income tax and self-employment tax that larger businesses do not incur. Micro-businesses also frequently miss out on the economies of scale available to bigger businesses when purchasing health insurance.

Under proposed legislation, the self-employed and micro-business owners would have access to Association Health Plans (AHP) that would bring lower rates through consolidated buying power, as well as administrative efficiencies. Legislation also is pending that would enable the self-employed to claim health insurance premiums as a business expense, resulting in a net cost savings of as much as 25 percent.

"The surging costs of health care continue to pummel our small employers," said Chairman of the House Small Business Committee Donald Manzullo (R-IL). "Our small employers need options - like Association Health Plans, Medical Savings Accounts and full tax deductibility - to battle these skyrocketing expenses. Without our help, there will surely be more uninsured Americans living without the security of health insurance."

Study participants said they would be much more likely to purchase health insurance if the right incentives were in place. Almost eight in 10 (78 percent) say they would participate in an AHP if they received group purchase price breaks. Three in four would be motivated to participate in such plans if they were able to have more choice in benefits, or if participation would lessen paperwork and administrative burden.

Three out of four (75 percent) said they would be likely to purchase insurance for employees if the premiums were 100 percent deductible. Nearly 80 percent (78.9 percent) say they would be likely to purchase health insurance for their employees if they were given tax credits. Eighty-four percent say they would provide insurance if they were able to deduct their premiums as a business expense.

According to the NASE, there are approximately 16 million self-employed people in the United States, and micro-businesses represent nearly half of all employer firms in the nation. More than one-third (37.6 percent) of all new jobs in 1998-1999 were generated in this segment.

"The self-employed and micro-businesses are the bedrock of our economy and society and deserve a fair deal in access to basic and affordable health care," said Hughes. "Providing fairer tax incentives and purchasing systems needs to be among the top national issues addressed by lawmakers in the months ahead."

## Survey Methodology

"The Affordability in Health Care" study was developed to assess practices and attitudes pertaining to health care insurance among businesses with five or less employees. Some 600 micro-business owners participated in the survey, which was fielded in March among 2,000 randomly selected micro-business owners and operators. Approximately 600 respondents - with an average of 15 years of business ownership and three employees - participated in the study.

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**Download or print the "Affordability in Health Care Survey" now.** You will need the free Adobe Acrobat browser plugin:

### Affordability in Health Care Survey

[Part One](#) (Pages 1 - 9) 2.92 MB

[Part Two](#) (Pages 10 - 23) 2.51 MB

[Complete Survey](#) 5.42 MB

To read more on Congress' reaction to the survey, [click here](#).

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### About the NASE

The National Association for the Self-Employed (NASE) is the nation's leading resource for the self-employed and micro-businesses, bringing a broad range of benefits to help entrepreneurs succeed and to drive the continued growth of this vital segment of the American economy. The NASE is a 501(c) (6) nonprofit organization and provides big-business advantages to hundreds of thousands of micro-businesses across the United States. For more information, visit the association's Web site at [www.nase.org](http://www.nase.org).