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For Immediate Release:

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LANDMARK SURVEY REVEALS THREAT OF RISING HEALTH CARE COSTS FOR NATION'S MICRO-BUSINESSES

Washington, DC, October 5, 2005 -- The National Association for the Self-Employed (NASE) today released results from the only nationwide survey of its kind to assess the impact of rising healthcare costs on the smallest segment of the U.S. business population. The NASE survey, unsurpassed in its segmentation of businesses with 10 or fewer employees, provides unique insight into the health care challenges and preferences facing micro-business owners based on size, annual sales, gender and region.

"Every day, this group struggles with the increasing costs of health coverage for themselves, their families, and their employees," said Robert Hughes, president of the NASE. "This survey shows just how serious the problem is for micro-business owners and their employees, the lengths they must go to acquire coverage, and how great the need for realistic solutions to the growing health care crisis."

Numbering more than 18 million in the United States, micro-businesses are often cited as the drivers of America's economic engine, creating well over a third of all new jobs. The data collected in the NASE survey were segmented to explore key differences among respondents, including number of employees and total 2004 gross sales, both critical factors in determining the impact of rising health care costs on a business.

Survey Highlights

A majority of survey respondents (51.1%) say they do not currently offer, nor plan to offer, a health insurance plan through their business for themselves or their employees. The smallest companies are most impacted, with only 13.8% of companies that grossed less than \$50,000 annually offering health insurance compared to 70% among those grossing more than \$500,000 yearly. According to respondents, cost continues to be the most important factor.

- Nearly 62% cite cost as the single most significant barrier to offering health care to employees;
- Nearly seven out of 10 (68.9%) companies grossing between \$50,000 and \$99,999 annually currently do not offer health insurance through their business for their employees or themselves;
- Over 85% stated that their health insurance premiums had increased in the past 12 months, with a median premium increase of 17.3%.

The survey also found that small businesses with the least end up paying the most in terms of health insurance costs. Micro-businesses grossing less than \$50,000 annually spent a median of 18.7% of their gross 2004 sales on health insurance, compared to a median of only 2.3% spent annually by companies generating more than \$500,000 annually. Business owners with 10 or fewer employees spent nearly four percent of their total annual revenue on health insurance in 2004.

Among micro-business owners with personal health insurance coverage that was purchased either through their business or on an individual basis, slightly more than half of the respondents (54.9%) have insurance, while 27% are forced to rely on their spouses for health coverage through their employer. Another four percent rely on other means for coverage, most commonly a second job, while 14% have no health insurance at all.

Again, the lowest incidence of an individual policy occurs among the smallest businesses, with only 26% of solo practitioners and 21% of companies grossing less than \$50,000 having an individual policy. Younger respondents (those under 35) are far less likely to have their own plans, while women are less likely to have health coverage than men.

The NASE survey offered some interesting insight into one of the most frequently mentioned solutions to rising health care costs ? the new health savings account or HSAs. Available since January 2004, HSAs combine a high deductible health insurance policy with a tax-free savings account. Individuals can deposit money tax-free into the account up to a certain amount per year. Employers can also contribute money tax free into the health savings account on behalf of their employees.

According to the NASE study, overall awareness and appeal of HSAs is high across all segments, although most don't take advantage of this option. More than 82% of respondents acknowledged having heard of HSAs, yet only 5.9% said they have established an HSA account. Nearly 65% of those who are presently uninsured expressed high interest in establishing an HSA versus 55.8% of those with an existing health care policy in place.

For complete survey results or to obtain a copy of the NASE survey report, please contact Katy Dyer at 202-466-2100, kdyer@nase.org.

[Health Coverage and the Micro-Business: a National Perspective Published Report](#)

[Health Coverage and the Micro-Business: a National Perspective Full Response Segmentation](#)

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.