NATIONAL CENTER FOR POLICY ANALYSIS

The Effects of the Affordable Care Act on Small Business

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Four years after President Barack Obama signed the Affordable Care Act (ACA) into law, there is plenty of evidence that the ACA is raising the cost of health insurance to employers and individuals. The effects on business vary — by state, firm size and the composition of firms' workforces — but the impact on small businesses is especially acute.

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Executive Summary

Whereas large corporations typically self-insure — paying their employees' medical bills and hiring insurers to administer health benefits — small businesses purchase group health coverage from insurers and face cost-increasing regulations as they go through the annual ritual of renewing their coverage. Over the next few years, as regulations and mandates are finally implemented, Obamacare will affect how businesses operate — including hiring, employee compensation, growth and so forth.

The Mandate on Employers. Though media attention has focused on the federal and state health exchanges, much of the burden of complying with the Affordable Care Act will fall on business. Nearly two-thirds of Americans with health coverage have employer-sponsored health insurance — approximately 171 million people.

Health benefits are a significant expense for U.S. employers and a substantial portion of workers' total compensation. The Congressional Budget Office (CBO) estimates that the required coverage for an individual will cost $5,800 a year or more in 2016 — the equivalent of an additional $3 an hour "minimum health wage." Family coverage could cost more than twice that amount. For instance:

- The cost of employee health benefits averages $2.70 per hour, according to the Bureau of Labor Statistics, representing 8.5 percent of private industry workers' total compensation.
- The Kaiser Family Foundation's annual survey of employer health benefits found the average cost of an employee family plan was $16,351 in 2013.

The ACA includes an employer mandate designed to force firms to provide full-time employees with comprehensive health insurance. Enforcement of the mandate has been delayed until 2015 for employers with more than 99 full-time employees. Firms employing from 50 to 99 full-time workers have until 2016 to comply. Businesses with fewer than 50 employees will not be penalized. Employers are also required to limit the amount of premiums some employees pay as a percentage of their wage income. For example, health plans are considered "unaffordable" if workers earning less than 400 percent of the federal poverty level (about $46,680 for an individual) must pay a premium that is more than 9.5 percent of their income.

Health Insurance Mandate on Firms with 50 or More Employees. Employers with fewer than 50 full-time workers are exempt from penalties. The fiftieth worker, however, could be a very expensive hire. Firms that employ 50 or more workers and don't provide health insurance will be subject to a tax penalty of $2,000 for each uninsured employee beyond the first 30.

Furthermore, firms with 50 or more workers will be required to contribute at least 60 percent of the cost for individual minimum essential coverage.

"Grandfathered" Health Insurance Plans. Many small firms were able avoid the costly mandated benefits and new regulations by renewing less-expensive (non-conforming) coverage prior to January 2014. When these plans expire in 2014, firms will be forced to purchase more highly regulated plans.

In theory, firms could retain their current health plan by claiming "grandfathered" status, insulating employers from cost-increasing regulatory burdens. However, only a few small businesses will have grandfathered plans. The status is lost if a firm makes any substantial plan change, such as switching to a new insurance carrier. According to official documents, two-thirds to as many as 80 percent of employer plans will likely lose their grandfathered status.

Effect of Obamacare on Premiums. The consequences for employers (and individual workers) who must purchase coverage are already becoming apparent. A 2014 survey of 148 insurance brokers by the investment firm Morgan Stanley found that rates in the small group market have risen substantially. For instance:

- Premiums for firms renewing in 2014 jumped 11 percent in the small group market.
- For firms with coverage through BlueCross, the year-over-year renewing contract premium hike is nearly 16 percent.
- For individuals, the increase was similar — about 12 percent.

However, premium increases were much higher in some states than others. The survey found that since December 2012, rates for small employers grew 588 percent in Washington state, though this astounding increase is likely due to the small sample size and additional state regulations. Premiums rose 66 percent in Pennsylvania, 37 percent in California, 34 percent in Indiana, 30 percent in Kentucky and 29 percent in Colorado.

Employers Are Responding. Some employers are reducing their costs by passing on more of the cost to workers. Some employers are raising copayments for workers; others are boosting costs for dependent coverage, according to Mercer, a benefit consulting firm.

The Affordable Care Act is also affecting personnel decisions. A survey of more than 600 small business owners by the Society for Human Resource Management found that more than four-in-10 small business owners have delayed hiring due to uncertainty about the effects of the ACA. One in five reported they have cut the number of workers they employ. Employers are not required to offer coverage for employees who work less than 30 hours per week. Those employees are eligible for subsidized coverage in the health insurance exchange. Mercer reports that 12 percent of employers nationwide plan to reduce workers' hours as a result of Obamacare.

About the Author

Devon M. Herrick is a senior fellow with the National Center for Policy Analysis. He concentrates on such health care issues as Internet-based medicine, health insurance and the uninsured, and pharmaceutical drug issues. His research interests also include managed care, patient empowerment, medical privacy and technology-related issues. Herrick is past Chair of the Health Economics Roundtable of the National Association for Business Economics.

Herrick received a Doctor of Philosophy in Political Economy degree and a Master of Public Affairs degree from the University of Texas at Dallas with a concentration in economic development. He also holds a Master of Business Administration degree with a concentration in finance from Oklahoma City University and an M.B.A. from Amber University, as well as a Bachelor of Science degree in accounting from the University of Central Oklahoma.

Introduction

Four years after President Barack Obama signed the Affordable Care Act (ACA) into law, there is still uncertainty regarding its effects, due to delays and exemptions granted by the Obama administration and challenges still pending in the courts. So far, however, there is plenty of evidence that the ACA, or Obamacare, is raising the cost of health insurance to employers and individuals.

The effects on business vary — by state, firm size and the composition of firms' workforces — but the impact on small businesses is especially acute. Whereas large corporations typically self-insure — paying their employees' medical bills and hiring insurers to administer health benefits — small businesses purchase group health coverage from insurers and face cost-increasing regulations as they go through the annual ritual of renewing their coverage. Over the next few years, as regulations and mandates are finally implemented, Obamacare will affect how businesses operate — including hiring, employee compensation, growth and so forth.

The Role of Employer-Sponsored Health Plans

Though media attention has focused on the federal and state health exchanges, employers are responsible for much of the growth in the number of insured. And much of the burden of complying with the Affordable Care Act will fall on business. From September 2013 to mid-March 2014, according to RAND Corporation estimates, a net 9.3 million Americans gained health coverage.[1]

The majority of the gains during this period came from employer-sponsored coverage: 8.2 million people enrolled in employer plans rather than purchasing individual coverage in an exchange.[2] These new enrollees include individuals who previously declined employers' offers of insurance but are responding to the individual mandate to obtain coverage or face a tax penalty. Only 1.4 million were newly insured by exchange plans. (Though 3.9 million people enrolled in exchange plans, most were previously insured.)

Why Do Employers Provide Health Benefits? The practice of getting health coverage through the workplace began with a series of laws that originated during World War II.[3]

> *"In many states, small businesses face double-digit increases for health insurance."*

In a tight labor market with wage and price controls, the War Labor Board ruled wage controls did not apply to fringe benefits. Thus, employers could provide health coverage in lieu of higher cash wages.[4] A few years later, in 1954, Congress and the Internal Revenue Service agreed that the value of health coverage provided by an employer could be excluded from taxable income.[5] Today, as a result of this policy, most Americans get health insurance through work:

- Nearly two-thirds of Americans with health coverage have employer-sponsored health insurance — approximately 171 million people.[6]
- Slightly less than three-fourths (71 percent) of firms that employ 10 to 24 workers offered coverage in 2011.
- In contrast, only 48 percent of firms employing three to nine workers offered coverage in 2011.[7]

The proportion of small employers offering health coverage has been declining for years. Under the Affordable Care Act, many firms will find it in their self-interest to abandon their company health plans.

Employer Costs for Health Insurance. Health benefits are a significant expense for U.S. employers and a substantial portion of workers' total compensation:

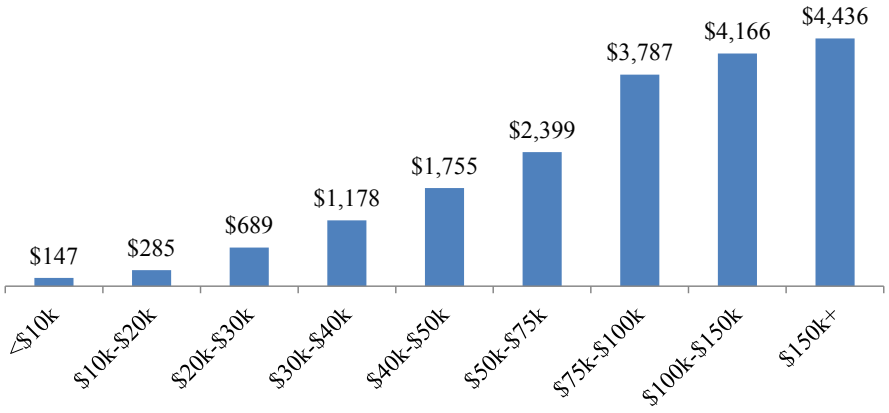
- The cost of employee health benefits averages $2.70 per hour, according to the Bureau of Labor Statistics, representing 8.5 percent of private industry workers' total compensation.[8]
- The Kaiser Family Foundation's annual survey of employer health benefits found the average cost of an employee family plan was $16,351 in 2013.[9]

Health benefits substitute nearly dollar-for-dollar for cash wages.

The Value of Employer-Provided Insurance Varies by Employees' Incomes. The cash value of excluding employee health coverage from taxable income is substantial. This is the major reason why most Americans have health coverage tied to their employment. For example:

- To a middle-income couple with a marginal federal income tax rate of 25 percent, payroll taxes

Figure I
Distribution of Employee Health Insurance Tax Subsidies by Family Income



Source: Personal correspondence from John Sheils, Lewin Group, January 17, 2012.

add another 15.3 percent and state and local taxes could add another 5 percent to their tax burden.

- Thus, at an effective tax rate of 40 percent to 45 percent, the tax exclusion is worth nearly half the cost of coverage. For instance, a family in an employer health plan costing $16,351 would only experience a reduction in take home pay of $8,993 [$16,351 x (1-0.45)] — a tax savings of $7,358.
- Furthermore, because the value of the tax subsidy increases with income, high-income families receive a greater benefit than low-income families. For instance, a family with an income of $150,000 or more receives about $4,436 in tax relief, compared to only about $147 for families earning less than $10,000 annually. [See Figure I.]

Lower income workers are less willing to use scarce wages for health benefits. Thus, small employers that predominantly hire low-income workers are far less likely to offer health benefits than firms with higher average wages. As the cost of health coverage rises, firms like these are the most likely to drop employee health plans altogether.

Employer Mandate and Subsidies

The ACA includes an employer mandate designed to force firms to provide full-time employees with comprehensive health insurance. Enforcement of the mandate has been delayed until 2015 for employers with more than 99 full- time employees. The mandate does not penalize businesses with fewer than 50 employees for failing to offer coverage. The Obama administration announced it will not enforce the mandate on mid-sized employers — those employing from 50 to 99 full-time workers — before 2016.[10]

Cost of Employer Coverage. The Congressional Budget Office (CBO) estimates that the required coverage for an individual will cost $5,800 a year or more in 2016 — the equivalent of an additional $3 an hour "minimum health wage." Family coverage could cost more than twice that amount. Employers will be fined if they drop their health insurance plans altogether or if their health plans are deemed "unaffordable" to any of their employees. If the fines do not encourage employers to offer health insurance, the federal government is likely to respond by increasing them.[11]

New Small Business Subsidy for Firms with Fewer than 26 Employees. The ACA includes a temporary health insurance tax credit for small employers with moderately-paid workers. The credit is only available for six years, and the only firms that qualify are those with 25 or fewer employees and whose average wage is less than $50,000.

Most businesses will not meet the strict (and complex) criteria for claiming the credit. In fact, fewer than one-third of small businesses qualify, according to the National Federation of Independent Business.[12] The credit is not available to sole proprietors and their families.

Health Insurance Mandate on Firms with 50 or More Employees. The ACA requires employers to offer health coverage to workers or face a fine. Employers with fewer than 50 full-time workers are exempt from penalties. The fiftieth worker, however, could be a very expensive hire. Firms that employ 50 or more workers and don't provide health insurance will be subject to a tax penalty of $2,000 for each uninsured employee beyond the first 30. Thus, growing from 49 to 50 uninsured workers would subject employers to a fine of $40,000 [(50 – 30) x $2,000]

for adding the last worker. The fine, however, is much smaller than the cost of providing 50 employees with insurance.

Employers have three ways to reduce the burden of the employer mandate: 1) limit the workforce to fewer than 50 workers; 2) limit the hours worked per week by some employees to fewer than 30 hours; or 3) fail to offer coverage and, thus, pay a $2,000 per (full-time) worker fine. These perverse economic incentives will cause many firms to avoid growing beyond 49 employees.

Employer Contribution for "Essential Benefits." Firms with 50 or more workers will be required to contribute at least 60 percent of the cost for individual minimum essential coverage.[13] Federal law now requires health plans to cover a package of "10 essential benefits," including ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance use disorder services, including behavioral health treatment; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric services, including oral and vision care.

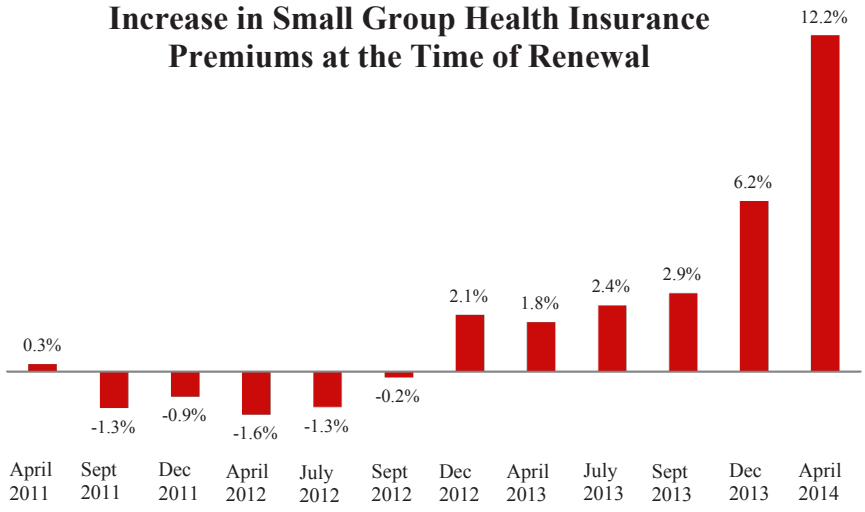
These new plans are likely to be more generous and more costly than what many firms previously offered. For instance, essential health benefits include preventive services, on the assumption that prevention and early detection of disease will decrease the cost of care. But research has found this assumption is wrong: Preventive medical services are sometimes beneficial but increase total costs about 80 percent of the time, according to Louise Russell of Rutgers University.[14]

Access to Exchanges for Firms with Fewer Than 100 Employees. The Affordable Care Act contains financial incentives for states to establish health insurance exchanges where qualifying individuals and small businesses can purchase subsidized, individual health insurance. Employers with fewer than 100 employees will be able to purchase coverage in a health insurance exchange rather than buy insurance in the small group market. This so-called SHOP exchange (Small Business Health Options Program) is behind schedule in the 33 states that will not be running their own health exchange. The federal government announced that the rollout of the SHOP exchanges will be delayed until 2015.[15] In the SHOP exchanges, however, workers will not be eligible for the subsidies individuals receive when they buy their own insurance. Also, just as insurers selling in the exchange will not be allowed to charge premiums based on health status, neither will small group health insurance policies sold outside the exchange. Thus, there does not appear to be a financial advantage to using the exchange.

"Grandfathered" Health Insurance Plans. Many small firms were able avoid the costly mandated benefits and new regulations by renewing less-expensive (non-conforming) coverage prior to January 2014.[16] When these plans expire in 2014, firms will be forced to purchase more expensive plans.[17]

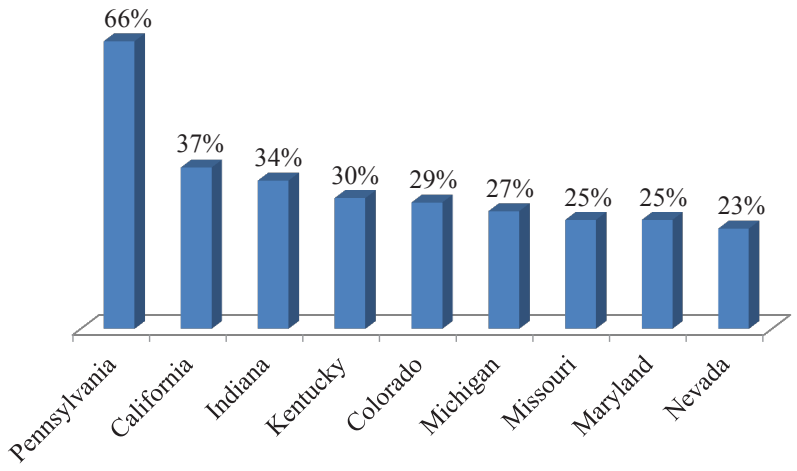
In theory, firms could retain their current health plan by claiming "grandfathered" status, insulating employers from cost-increasing regulatory burdens. However, only a few small businesses will have grandfathered plans. The status is lost if a firm makes any substantial plan change, such as switching to a new insurance carrier — even though

Figure II
Increase in Small Group Health Insurance Premiums at the Time of Renewal



Note: Based on a survey of 148 insurance brokers. Data shows increase in premiums for renewing health plans.
Source: Andrew Schenker, Cornelia Miller and Vikram Ashoka, "Managed Care 1Q Survey: Significant Rate Acceleration Continues," Morgan Stanley Research North America, April 7, 2014. Available at http://mediad.publicbroadcasting.net/p/nhpr/files/201404/Morgan_Stanley_Survey.pdf

Figure III
Premium Increases for Small Group Policy Renewals (2014)



Source: Andrew Schenker, Cornelia Miller and Vikram Ashoka, "Managed Care 1Q Survey: Significant Rate Acceleration Continues, Morgan Stanley Research North America, April 7, 2014. Available at http://mediad.publicbroadcasting.net/p/nhpr/files/201404/Morgan_Stanley_Survey.pdf. Also see Scott Gottlieb, "Here's How Much Health Plan Premiums Spiked Over The Last Four Years Of ObamaCare's Rollout," Forbes.com, April 7, 2014. Available at http://www.forbes.com/sites/scottgottlieb/2014/04/07/how-much-have-health-plan-premiums-spiked-over-the-last-four-years-of-ObamaCares-rollout-heres-the-data/.

changing insurers is the main way small firms keep premiums down. For instance, according to official documents:

- Under a "mid-range" estimate, two-thirds of small business employees will lose their grandfathered status this year and will no longer be able to keep the plan they now have.[18]
- Under the worst case scenario, as many as 80 percent will lose their grandfathered status.[19]
- By contrast, a self-insured, large company plan or union plan is free to change its third-party administrator as often as it likes and still keep its grandfathered status.[20]

With the exception of firms that employ mainly high-income people, many companies — especially those employing fewer than 50 workers and those primarily employing moderate-income workers — will find it less costly to drop health insurance and pay the fine.

Limits on Employee Premiums. Employers are required to limit the amount of premiums some employees pay to a percentage of their wage income. For example, health plans are considered "unaffordable" if workers earning less than 400 percent of the federal poverty level (about $46,680 for an individual) must pay a premium that is more than 9.5 percent of their income. The premium for an employee with an income of $32,000, for example, would be deemed unaffordable if the premium was higher than $3,400. For firms with more than 49 workers, employing a worker whose premiums are unaffordable may result in a $3,000 fine. However, employers do not have to subsidize the premiums of workers with incomes 400 percent or more of the poverty level.[21]

The affordability threshold is an employee's wage income compared to the cost of single-only employee coverage. However, an employee health plan is not deemed unaffordable if the employee's share of *family* coverage exceeds 9.5 percent of family income.[22]

Restrictions on Defined Contribution Health Plans. The federal government has essentially prohibited so-called defined contribution health plans for individual coverage.[23] Defined contribution is an arrangement where employers provide a fixed sum of money toward employee benefits, which workers then use to pay for individual coverage.

The Affordable Care Act bans health plans that limit annual or lifetime coverage of a package of essential health benefits. The ACA also limits employee cost-sharing, which makes it more difficult for employee health plans to feature high-deductible insurance compatible with a Health Savings Account (HSA). For instance, small employers cannot require a deductible that exceeds $2,000 unless it is accompanied by an HSA account that reduces the deductible to $2,000. For instance, an employer could offer a plan with a $3,000 deductible but provide an HSA with $1,000 in it.

Elimination of Limited Benefit Plans. The Affordable Care Act removes much of the discretion employers once had to tailor health

benefits to workers' unique health needs. Prior to the ACA, workers had the option of choosing health plans that featured limited benefits in return for lower premiums. The ACA has banned this type of plan. Under current law, health plans cannot cap benefits.

In other words, when an employer provides health coverage, the potential liability is unlimited. By its very nature, insurance is underwriting an individual's health risk in return for a premium payment. The greater the risk, the more an insurer has to charge in premiums. By requiring health insurers to take on unlimited risk, the Affordable Care Act renders health coverage far less affordable.

In addition, the Affordable Care Act doesn't allow insurers to vary premiums by such factors as health status of the employer group, size of employer group or industry. Thus, firms that employ predominantly young workers will likely see their costs go up.[24] All told, the ACA will increase premiums for about two-thirds of employers with fully-insured employee health plans.[25]

Effect of the Affordable Care Act on Health Insurance Premiums, by State

A 2009 analysis of claims data by Oliver Wyman, a national consulting firm, estimated that the new Affordable Care Act regulations would boost small group premiums by about 20 percent.[26] More recently, a 2014 survey of 148 insurance brokers by the investment firm Morgan Stanley found that rates in the small group market have risen substantially as a result of new regulations.[27]

- Premiums for firms renewing in 2014 jumped 11 percent in the small group market.
- For firms with coverage through BlueCross, the year-over-year renewing contract premium hike is nearly 16 percent.
- For individuals, the increase was similar — about 12 percent.

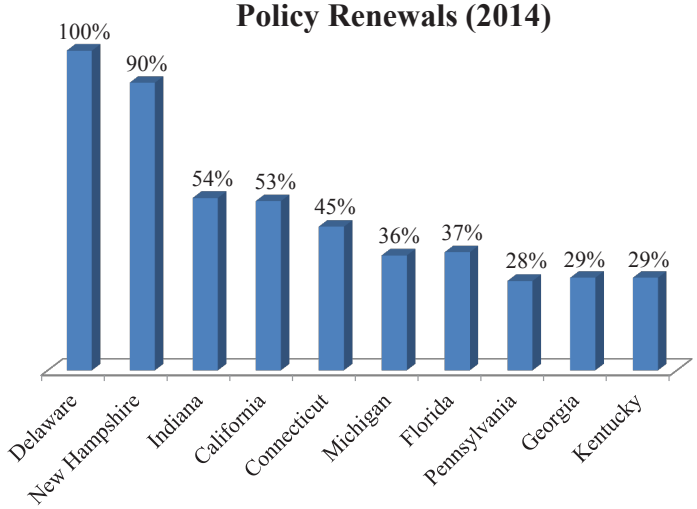
However, premium increases were much higher in some states compared with others. The survey found that, since December 2012, rates for small employers grew an astounding 588 percent in Washington state, though some of the increase is likely due to the small sample size and additional state-level regulations. For instance, Washington state officials were opposed to overly-restrictive narrow networks. Also, more than half of enrollees were ages 45 to 64.[28] Premiums also increased 66 percent in Pennsylvania, 37 percent in California, 34 percent in Indiana, 30 percent in Kentucky and 29 percent in Colorado.[29] [See Figure III.]

A number of states experienced above-average hikes in premiums when individual policies were renewed in the first quarter of 2014.[30] [See Figure IV.] For instance:

- Premiums for renewing policies doubled in Delaware.
- Californians' premiums rose 53 percent.
- Georgia and Kentucky both saw premiums rise 29 percent.

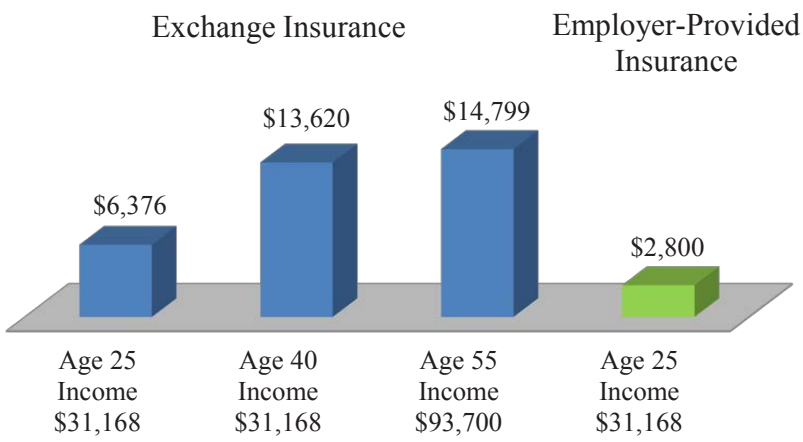
Employment Effects of the Affordable Care Act. The Affordable Care Act will have profound effects on labor markets. Not only will many firms find it advantageous to drop their health plans, many workers who stayed in their current positions in order

Figure IV
Premium Increases for Individual Policy Renewals (2014)



Source: Scott Gottlieb, "Here's How Much Health Plan Premiums Spiked Over The Last Four Years Of ObamaCare's Rollout," Forbes.com, April 7, 2014. Available at http://www.forbes.com/sites/scottgottlieb/2014/04/07/how-much-have-health-plan-premiums-spiked-over-the-last-four-years-of-ObamaCares-rollout-heres-the-data/. Also see Scott Gottlieb, "Health Plan Premiums Are Skyrocketing According To New Survey of 148 Insurance Brokers, With Delaware Up 100%, California 53%, Florida 37%, Pennsylvania 28%," Forbes.com, April 7, 2014. Available at http://www.forbs.com/sites/scottgottlieb/2014/04/07/health-plan-premiums-are-skyrocketing-according-to-new-survey-of-148-insurance-brokers-analysts-blame-ObamaCare/.

Figure V
Health Insurance Subsidies for a Family of Four by Age and Income of Employee



Source: Author calculations, Stephen Entin and Kaiser Family Foundation Subsidy Calculator.

to qualify for health coverage (so-called "job lock") may quit their jobs because subsidized coverage is available through a health exchange. Families earning 133 percent of the federal poverty level without access to an employer-provided plan will pay no more than 3 percent of their income in premiums for policies in the exchange. Families earning up to 400 percent of the poverty level will pay no more than 9.5 percent. In all, more than 2 million people are expected to leave the labor market because they can get subsidized coverage.[32]

Subsidies for Exchange Plans Vary by State and Age of the Insured. Because health care costs vary widely among regions, exchange policies in states with higher health care costs will be more heavily subsidized. Furthermore, older workers will receive larger subsidies than younger workers. Consider [see Figure V]:

- In the exchange, a family headed by a 25-year-old worker earning $31,168 (133 percent of the federal poverty level in 2013) and living in a low-cost region would receive a health insurance subsidy worth $6,376.
- A family headed by a 40-year-old earning $31,168 and living in a high-cost region would receive a federal subsidy of $13,620, meaning he would be charged only $936 (about 3 percent of his income) for a health plan with a $14,500 annual premium.
- A family headed by a 55-year-old worker living in a high-cost region and earning $93,700 (400 percent of the poverty level in 2013) would get an exchange subsidy worth $14,799 and pay just $8,901 toward the premium annually.
- By contrast, a worker with employer-based insurance earning $31,168 would receive benefits equivalent to a tax subsidy of about $2,800, or $7,231 less than the same family in the exchange.

Employer Responses to the Affordable Care Act

A 2014 report from the Obama administration admitted that two-thirds of small employers could see a jump in premiums due to provisions in the health care law.[33] And more employers will face insurance cancellations (and possible premium hikes) in fall 2014 as they are forced to replace lower-cost health benefits with more comprehensive plans that comply with the Affordable Care Act.[34] [Note: The Appendix provides details on premium increases in seven typical states.]

Increasing Employee Cost-Sharing. The media tends to focus on individual insurance (nongroup coverage), but the cost of phasing out caps on benefits and the new coverage requirements is affecting employers, who are looking for ways to reduce their costs. One way is for employers to pass on as much of the cost to workers as they can. Some employers are raising copayments for workers; others are boosting costs for dependent coverage, according to benefits consultant Mercer.[35] For instance, United Parcel Service (UPS) decided to stop covering employees' spouses who had access to coverage through their own employer.[36] The consulting firm Aon Hewitt found that more than two-thirds (69 percent) of firms are considering increasing cost-sharing for adult dependents and 54 percent are considering reducing subsidies for all dependents.[37]

A few firms no longer offer spousal coverage.[38] A 2011 report by McKinsey, a benefits consulting

firm, found nearly one-third of employers (30 percent) would likely stop offering health insurance as an employee benefit. Among employers who are knowledgeable about the Affordable Care Act, this figure rose to half or more.[39]

Reducing the Number of Workers and Delaying Hiring. A survey of more than 600 small business owners by the Society for Human Resource Management found that more than four-in-10 small business owners have delayed hiring due to uncertainty about the effects of the Affordable Care Act. One in five reported they have cut the number of workers they employ.[40]

Reducing Employee Hours. The Society for Human Resource Management also found about one in five small businesses are reducing workers' hours to part time because they are not required to offer coverage for employees who work less than 30 hours per week.[41] Those employees will be eligible for subsidized coverage in a new health insurance exchange. Thus:

- The human resources consultancy Mercer reported that 12 percent of employers nationwide plan to reduce workers' hours as a result of the Affordable Care Act.
- In the retail and hotel sector, Mercer reported that about one in five employers plan to reduce employee work hours.[42]
- An informal survey of small business owners across the country by NBC News found that almost all have cut the hours of some employees due to the law.[43]
- *Investor's Business Daily* recently documented 401 employers that have similar stategies and are reducing part-time workers' hours to avoid the costs of the mandate — including not just businesses, but also public sector employers.[44] Indeed, the list included 320 public sector employers.[45]

Researchers at the University of California – Berkeley estimate 2.3 million part-time American workers could lose hours of work due to the Affordable Care Act.[46] As the leaders of three major unions wrote to congressional Democrats, the ACA as currently written could "destroy the foundation of the 40-hour work week that is the backbone of the middle class."[47]

Conclusion

The Affordable Care Act contains sweeping changes to the employer-sponsored health insurance market. Though it was promoted as a way to lessen the problems small businesses experience in providing health coverage, many business owners report that the law is increasing their burden.[48] Indeed, the Obama Administration itself says that two-thirds of small employers could see a jump in premiums due to provisions in the health care law. This trend is likely to continue.

Appendix

Case Studies of Employee Health Insurance in Selected States

Employee health coverage has been slowly eroding over the past decade. In 2000, nearly two-thirds of Americans had coverage through their job or a loved one's job. By 2012, that figure had fallen to about 60 percent. Almost all large employers sponsor an employee health plan, whereas just over half of small employers do.[49] Much of the loss in employer coverage during the past dozen years has been by small firms.

The loss of employee health coverage at small employers is likely to increase under the Affordable Care Act. Small firms are not required to provide employee coverage, and workers at small firms now have access to coverage in the state and federal health insurance exchanges. Moderate-income workers will qualify for sliding-scale subsidies to offset a portion of the cost.

The cost of coverage and the rates of coverage vary from state to state. The following selected states are representative of most states across the country. [Note: See Appendix Tables I to IV for more complete state data.]

California

In 2012, a family employer plan in California cost $15,898, on average.[50] Premiums for employee health coverage increased faster in California than premiums in other states from 2000 to 2011. Employee-only coverage increased an average of 123 percent, while family coverage rose 146 percent.[51] A 2014 Morgan Stanley survey of brokers found that California employers renewing policies in the small group market experienced a 37 percent boost in premium costs.[52] Individuals purchasing coverage on their own saw a 53 percent increase. [53]

The portion of the nonelderly population covered by employer-sponsored health insurance has declined more than 8.4 percentage points since 2000. This represents a loss of employee health benefits covering 1.25 million people.[54] Most of that decline was among small firms employing fewer than 50 workers. The percent of small employers that offer health coverage fell from 46 percent in 2000 to 40 percent in 2011.

The portion of workers at small California firms that offered coverage also fell from two-thirds in 2000 to 57 percent in 2011. Because of the ACA's perverse incentives, many part-time workers are losing hours to stay under the 30-hour limit, the point at which employers are required to provide health coverage. For instance, the city of Long Beach is limiting 1,600 part-time workers to fewer than 27 hours a week to save an estimated $2 million per year in additional mandatory health benefits.[55] An analysis from the University of California – Berkeley estimates nearly a quarter of a million California part-time workers are at risk of losing work hours as a result of the ACA.[56] Other cities, counties and private sector firms have announced similar moves.[57]

Florida

In 2000, 63 percent of nonseniors in Florida had employee health benefits. That figure has fallen by 10 percentage points in the past decade. The reason for the decline includes not only employers dropping health plans, but also employees declining to enroll in them — presumably due to higher costs and higher cost-sharing. About 58 percent of employers had an employee health plan in 2000 compared to about 44 percent in 2011. The most pronounced jump in employers dropping health benefits was among those firms employing less than 50 workers. Health reform will likely accelerate this decline. In 2000, nearly two-thirds (67 percent) of small firms offered coverage to their workers. A decade later, that portion had fallen to 49 percent.

Many firms will also respond to the ACA's employer mandate by reducing workers' hours, holding the workforce under 50 employees and restructuring their workforce to take advantage of subsidies available to low-income workers employed by small firms. For example, a cleaning company in Florida had 100 full-time employees and another 100 part-time workers before the recession. By late 2013, the company had downsized to 30 full-time employees, with another 120 working only part time.[58] The economic downturn has undoubtedly taken its toll. But owner Richard Clark also credits the Affordable Care Act for the decline in his firm's number of full-time employees. He is very careful to avoid the threshold of 50 or more workers, when he would have to pay a $2,000 or $3,000 fine per worker for not offering health benefits or offering "unaffordable" coverage.

The average cost of a family employer plan in Florida was $15,471 in 2012.[59] In a 2014 Morgan Stanley

survey of insurance brokers, Florida residents without access to employer coverage taking out policies (without a subsidy) experienced premiums 37 percent higher than prior to the Affordable Care Act.[60] This rise in premiums came on the heels of a 27 percent increase for individuals renewing policies in 2013. Morgan Stanley's survey found that small employers faced a 21 percent hike in premiums when they renewed policies in 2014 compared to 2013.[61] Another survey found that, since 2000, the cost of employer premiums has risen 113 percent for employee-only coverage and 133 percent for family coverage.[62]

Georgia

During the past decade, the average cost of employee-only coverage in Georgia about doubled in price, while premiums for family coverage increased about 120 percent. The average cost of a family employer plan in Georgia was $14,646 in 2012, less than in 35 other states.[63]

A recent Georgia survey found individual policy holders renewing policies faced a 29 percent increase over the previous years' premiums. Firms renewing small group coverage in early 2014 faced a 21 percent hike in premiums.[64]

Although most large firms offer an employee health plan (97 percent), few small employers do. Among small employers, only about 29 percent offered health benefits in 2011 — down from 39 percent a decade earlier. Of workers in small companies, only half work for employers that offered coverage in 2011 (down from 61 percent in 2000).[65] Added regulatory costs of the ACA will likely ensure that small firms will continue to drop their health plans.

Maine

A family employer plan in Maine cost about $16,203 in 2012 — higher than in 40 other states.[66] A 2014 Morgan Stanley survey of insurance brokers found that Maine's small employers faced an 11 percent hike in premiums when they renewed policies in 2014 compared to 2013.[67] Yet, an actuarial analysis of small employer plans indicates that nearly nine out of 10 (89 percent) employers will experience higher premiums due to ACA regulations.[68] As in other states, small employers are far less apt to offer coverage to their workers than larger firms. Only about one-third of small employers (less than 50 workers) offer a health plan.

Some firms are looking for ways to avoid increasing their employee costs by reducing workers' hours to no more than 29 in response to the Affordable Care Act. For example, entrepreneur Loren Goodridge owns 21 Subway franchises, including one in Kennebunk, Maine. Goodridge says he plans to reduce the work week of 50 of his workers to 29 hours because he cannot afford to offer health coverage. The White House dismisses cases like these as "anecdotal." One of those anecdotes is Luke Perfect, an employee of Goodridge's with a decade of seniority at the restaurant. Perfect indicated it would be a financial hardship to have his hours cut back.[69]

The percent of the non-elderly population covered by employer-sponsored health insurance in Maine has declined by more than 9 percentage points since 2000. This figure represents a loss of employee health benefits covering 90,000 people.[70]

New York

The average cost of a family employer plan in New York was $16,924 in 2012. That number was higher than all but three other states.[71] From 2000 to 2011, premiums for employee-only coverage nearly doubled, while family coverage increased by 130 percent. This increase partly explains why employers covered 770,000 more New York residents in 2000 than in 2011. About 66 percent of New Yorkers got their coverage through work in 2000 — down 5 percentage points by 2011. Among small firms employing less than 50 workers, the drop in the proportion of workers with access to job-based coverage was about 10 percentage points. In addition, the percentage of workers at small firms who accepted coverage when offered also fell to 71 percent — down about 7 percentage points.[72] A survey found employers renewing small group coverage faced a 12 percent hike in premiums both in 2013 and 2014.[73]

Ohio

The average cost of a family employer plan in Ohio was $15,455 in 2012, a cost about average for the United States.[74] During this same time, the average increase in premiums for individual coverage doubled, while family premiums increased by 123 percent.[75] Yet, the actuarial consultancy Milliman estimates that premiums for small groups will increase 5 percent to 15 percent due to the ACA, over and above increases due to the medical care consumer price index.[76] Another survey found small group premiums increased 18 percent when employers went to renew for 2014.[77]

The persistent erosion of employee health benefits in Ohio has been far worse than in most other states. Between 2000 and 2011, 1.34 million Ohioans lost health coverage through an employer. This represents a nearly14 percentage point loss in the portion of non-elderly Ohio residents who get employee coverage. Companies employing less than 50 workers account for much of this decline. In 2000, nearly three-fourths (72 percent) of people employed by small firms worked for employers that offered coverage. That number had fallen to 60 percent by 2011. The reasons for the decline included a slightly lower take up rate by employees. However, the decline was mostly due to employers dropping health plans.

As with other states, the number of workers not offered coverage on the job is only part of the picture. Untold numbers are losing hours because their employers cannot afford to comply with the costly employer health insurance mandate. An informal analysis of press reporting by *Investor's Business Daily* documented 401 employers across the country — including businesses, schools, colleges and public sector employers — that have announced reduced hours or job cutbacks due to the ACA. About 30 of these were located in Ohio.[78]

Texas

Texas has the highest percentage of uninsured residents of any state in the country. About one-fourth of Texans lack health coverage.[79] This is not a function of the Texas economy; more than one-third (37 percent) of all jobs created since 2009 have been created in Texas.[80] Indeed, according to the Kaiser Family Foundation, nearly two-thirds of uninsured Texans of working age work at a job that does not offer health benefits.[81] Texas represents an anomaly among states. It has strong economic growth and plenty of jobs, but most don't include health benefits. A variety of factors work to create this unusual circumstance. Texas has a large immigrant population, which is historically unaccustomed to paying for health coverage. Thus, Texas illustrates the problem with assuming that a one-size-fits-all solution such as an employer mandate will be an effective way to cover working-age Texans.

In 2000, 11.42 million Texas residents had health coverage they obtained through their jobs. Because of Texas' strong economic growth, the number of people in Texas with employee health benefits increased to 11.8 million by 2011. However, during the decade from 2000 to 2011, the portion of Texans with job-related health coverage fell 10 percentage points, to 52 percent. About 94 percent of large employers in Texas offer health coverage, compared to slightly more (96 percent) nationwide. Among employers with less than 50 workers, however, only about 30 percent provide coverage.

The average cost of a family employer plan in Texas was $14,616 in 2012. That number was less than in 36 other states.[82] During the decade from 2000 to 2011, the cost of an employee-only plan increased by 105 percent, while family premiums rose by 129 percent. A survey found that small employers renewing policies in the small group market experienced increases of 12 percent in 2013 and 14 percent in 2014. Texans who lacked access to a health plan through work faced a hike in premiums of 13 percent in 2013 and 20 percent in 2014.[83]

Wisconsin

Compared to other states, employees of Wisconsin businesses are more likely to get health benefits through their jobs or the job of a household member.[84] Yet the number of people in Wisconsin who get coverage on the job fell by 400,000 in the decade since 2000, when 79 percent of nonseniors had employee health benefits. The reasons for the fall included not only employers dropping health plans, but also employees declining to enroll in them. About half of employers offered an employee health plan in 2011, compared to about 60 percent in 2000. Companies employing less than 50 workers caused most of the decline, and health reform will likely increase that rate. In 2000, nearly three-quarters (72 percent) of workers in small firms were employed by firms that offered coverage on the job. A decade later, that number had fallen to 51 percent.

Although it will not penalize small employers, the Affordable Care Act requires large employers to provide health benefits to all full-time workers or face a penalty of $2,000 or $3,000 per uncovered worker. Benefits brokers expect more Wisconsin firms to limit some employees' hours and expand their part-time workforce as a result.[85] Workers at the apparel company Lands' End learned that many of them would have their weekly hours cut to no more than 29 hours through an internal memo that said:[86]

"For some of you, working less

hours may be what you wanted. For others, these new governmental guidelines may be very difficult. These guidelines applies [sic] to all companies in the US (unless they have less than 50 employees or are non-profit)."

This is understandable; the cost of the penalty is expensive — as is health coverage.

Between 2000 and 2011, the average increase in premiums for employee-only coverage doubled, while family premiums increased by 121 percent. The percentage of Wisconsin workers who enroll in employee health coverage when offered has also fallen slightly, from 80 percent in 2000 to 75 percent in 2011.[87]

Consistent with most other states, employee health benefits are eroding as the costs begin to exceed what many companies and their employees are willing to bear. The average cost of a family employer plan in Wisconsin was $16,248 in 2012, more than in 42 other states.[88]

Regulations that prevent insurance underwriters from taking into account the health of employees, group size and other factors are expected to cause nearly two-thirds of workers with small group coverage to experience an increase in premiums of about 15 percent above what would otherwise occur due to health care inflation. Overall, about 10,000 Wisconsin workers will lose (or leave) small group employer plans due to regulations in the Affordable Care Act by 2016, exacerbating the trend that has already begun during the past decade.[89]

Appendix Table I
The Cost of Employee Health Coverage

	1999/2000		2010/2011		Increase in Past Decade	
	Employee	**Family**	**Employee**	**Family**	**Employee**	**Family**
Alabama	$2,376	$5,766	$4,700	$12,675	98%	120%
Alaska	NA	NA	$6,281	$15,153	NA	NA
Arizona	$2,296	$6,138	$4,919	$14,363	114%	134%
Arkansas	$2,368	$5,862	$4,285	$12,145	81%	107%
California	$2,259	$6,033	$5,033	$14,828	123%	146%
Colorado	$2,381	$6,310	$4,921	$14,122	107%	124%
Connecticut	$2,871	$7,125	$5,447	$15,577	90%	119%
Delaware	NA	NA	$5,628	$15,343	NA	NA
District of Columbia	NA	NA	$5,714	$15,906	NA	NA
Florida	$2,428	$6,399	$5,168	$14,882	113%	133%
Georgia	$2,474	$6,165	$4,948	$13,539	100%	120%
Hawaii	NA	NA	$4,581	$12,900	NA	NA
Idaho	NA	NA	$4,528	$12,295	NA	NA
Illinois	$2,692	$6,838	$5,221	$14,935	94%	118%
Indiana	$2,527	$6,293	$5,074	$14,299	101%	127%
Iowa	$2,370	$5,839	$4,591	$13,135	94%	125%
Kansas	$2,395	$6,074	$4,857	$13,960	103%	130%
Kentucky	$2,382	$6,382	$4,871	$14,385	105%	125%
Louisiana	$2,409	$6,353	$4,996	$13,401	107%	111%
Maine	NA	NA	$5,516	$15,081	NA	NA
Maryland	$2,562	$6,969	$5,012	$14,634	96%	110%
Massachusetts	$2,629	$6,944	$5,618	$15,780	114%	127%
Michigan	$2,622	$6,543	$4,887	$13,803	86%	111%
Minnesota	$2,455	$6,588	$5,195	$14,721	112%	124%
Mississippi	$2,367	$5,773	$4,770	$13,580	102%	135%
Missouri	$2,450	$6,199	$4,811	$13,321	96%	115%
Montana	NA	NA	$5,207	$13,413	NA	NA
Nebraska	$2,335	$6,155	$4,979	$13,499	113%	119%
Nevada	NA	NA	$4,650	$13,065	NA	NA
New Hampshire	NA	NA	$5,490	$16,053	NA	NA
New Jersey	$2,823	$7,201	$5,413	$14,824	92%	106%
New Mexico	NA	NA	$4,996	$14,705	NA	NA
New York	$2,778	$6,803	$5,469	$15,651	97%	130%
North Carolina	$2,449	$6,277	$5,105	$13,974	109%	123%
North Dakota	NA	NA	$4,949	$13,003	NA	NA
Ohio	$2,429	$6,159	$4,847	$13,705	100%	123%
Oklahoma	$2,548	$6,404	$4,733	$13,403	86%	109%
Oregon	$2,327	$6,060	$5,121	$14,020	120%	131%
Pennsylvania	$2,426	$6,415	$5,102	$14,323	110%	123%
Rhode Island	NA	NA	$5,741	$15,043	NA	NA
South Carolina	$2,422	$6,204	$5,058	$14,243	109%	130%
South Dakota	NA	NA	$5,050	$13,526	NA	NA
Tennessee	$2,389	$6,110	$4,776	$12,959	100%	112%
Texas	$2,482	$6,424	$5,075	$14,715	105%	129%
Utah	NA	NA	$4,549	$13,037	NA	NA
Vermont	NA	NA	$5,376	$14,931	NA	NA
Virginia	$2,391	$6,314	$4,961	$14,365	108%	128%
Washington	$2,518	$6,212	$5,063	$14,374	101%	131%
West Virginia	NA	NA	$5,328	$14,944	NA	NA
Wisconsin	$2,664	$6,794	$5,414	$15,024	103%	121%
Wyoming	NA	NA	$5,271	$14,339	NA	NA
United States	**$2,490**	**$6,415**	**$5,081**	**$14,447**	**104%**	**125%**

Source: "State-Level Trends In Employer-Sponsored Health Insurance: A State-by-State Analysis," Robert Wood Johnson Foundation, April 2013. Available at http://www.rwjf.org/content/dam/farm/reports/reports/2013/rwjf405434.

Appendix Table II
Employee Health Plans by Size of Employer

	% of People with Employer Coverage			% of Small Employers (<50) Offering		
	'99/'00	'10/'11	%Chng.	'99/'00	'10/'11	%Chng.
Alabama	70%	60%	-10%	51%	41%	-10%
Alaska	62%	60%	-2%	NA	26%	NA
Arizona	63%	55%	-8%	47%	30%	-17%
Arkansas	64%	53%	-11%	32%	29%	-3%
California	62%	53%	-9%	46%	40%	-6%
Colorado	72%	63%	-9%	51%	36%	-15%
Connecticut	79%	71%	-8%	59%	45%	-14%
Delaware	76%	66%	-10%	NA	38%	NA
District	64%	59%	-5%	NA	54%	NA
Florida	63%	54%	-9%	46%	29%	-17%
Georgia	69%	56%	-13%	39%	29%	-10%
Hawaii	74%	67%	-7%	NA	78%	NA
Idaho	68%	55%	-13%	NA	28%	NA
Illinois	74%	62%	-12%	49%	34%	-15%
Indiana	78%	63%	-15%	44%	29%	-15%
Iowa	79%	68%	-11%	41%	34%	-7%
Kansas	74%	64%	-10%	48%	39%	-9%
Kentucky	69%	60%	-9%	46%	36%	-10%
Louisiana	60%	50%	-10%	36%	36%	**0%**
Maine	72%	62%	-10%	NA	33%	NA
Maryland	80%	68%	-12%	51%	43%	-8%
Massachusetts	74%	73%	-1%	58%	54%	-4%
Michigan	78%	63%	-15%	56%	38%	-18%
Minnesota	80%	71%	-9%	44%	34%	-10%
Mississippi	65%	52%	-13%	35%	29%	-7%
Missouri	75%	63%	-12%	43%	37%	-6%
Montana	60%	53%	-7%	NA	32%	NA
Nebraska	72%	68%	-4%	38%	28%	-10%
Nevada	71%	58%	-13%	NA	37%	NA
New Hampshire	82%	74%	-8%	NA	39%	NA
New Jersey	78%	66%	-12%	55%	50%	-5%
New Mexico	54%	48%	-6%	NA	29%	NA
New York	66%	60%	-6%	53%	48%	-5%
North Carolina	69%	56%	-13%	46%	33%	-13%
North Dakota	69%	68%	-1%	NA	38%	NA
Ohio	77%	63%	-14%	52%	43%	-9%
Oklahoma	62%	57%	-5%	37%	32%	-5%
Oregon	70%	61%	-9%	45%	37%	-8%
Pennsylvania	78%	67%	-11%	56%	46%	-10%
Rhode Island	78%	65%	-13%	NA	50%	NA
South Carolina	69%	54%	-15%	43%	32%	-11%
South Dakota	69%	62%	-7%	NA	34%	NA
Tennessee	67%	57%	-10%	40%	37%	-3%
Texas	62%	52%	-10%	38%	30%	-8%
Utah	77%	72%	-5%	NA	30%	NA
Vermont	70%	63%	-7%	NA	43%	NA
Virginia	75%	66%	-9%	48%	39%	-9%
Washington	70%	60%	-10%	48%	37%	-11%
West Virginia	64%	59%	-5%	NA	33%	NA
Wisconsin	79%	69%	-10%	49%	34%	-15%
Wyoming	68%	63%	-5%	NA	29%	NA

Source: "State-Level Trends In Employer-Sponsored Health Insurance: A State-by-State Analysis," Robert Wood Johnson Foundation, April 2013. Available at http://www.rwjf.org/content/dam/farm/reports/reports/2013/rwjf405434.

Appendix Table III
Workers Offered Coverage
(in Small Firms with <50 Employees)

	% of Workers Offered			Take-Up Rates		
	'99/'00	'10/'11	%Chng.	'99/'00	'10/'11	%Chng.
Alabama	71%	62%	-9%	77%	70%	-7%
Alaska	NA	42%	NA	NA	76%	NA
Arizona	64%	46%	-18%	80%	76%	-4%
Arkansas	55%	47%	-8%	79%	74%	-5%
California	66%	57%	-9%	82%	80%	-2%
Colorado	71%	54%	-17%	76%	73%	-3%
Connecticut	76%	64%	-12%	79%	69%	-10%
Delaware	NA	60%	NA	NA	76%	NA
District	NA	73%	NA	NA	81%	NA
Florida	67%	49%	-18%	77%	74%	-3%
Georgia	61%	49%	-12%	78%	71%	-7%
Hawaii	NA	93%	NA	NA	87%	NA
Idaho	NA	42%	NA	NA	79%	NA
Illinois	71%	57%	-14%	84%	77%	-7%
Indiana	65%	50%	-15%	77%	74%	-3%
Iowa	60%	52%	-8%	78%	73%	-5%
Kansas	68%	57%	-11%	82%	80%	-2%
Kentucky	65%	54%	-11%	79%	74%	-5%
Louisiana	59%	57%	-2%	78%	76%	-2%
Maine	NA	54%	NA	NA	69%	NA
Maryland	72%	64%	-8%	73%	72%	-1%
Massachusetts	80%	74%	-6%	77%	67%	-10%
Michigan	72%	56%	-16%	83%	73%	-10%
Minnesota	65%	54%	-11%	80%	75%	-5%
Mississippi	56%	43%	-13%	84%	83%	-1%
Missouri	65%	57%	-8%	81%	78%	-3%
Montana	NA	44%	NA	NA	78%	NA
Nebraska	59%	46%	-13%	80%	75%	-5%
Nevada	NA	54%	NA	NA	80%	NA
New Hampshire	NA	61%	NA	NA	68%	NA
New Jersey	69%	68%	-1%	78%	70%	-8%
New Mexico	NA	46%	NA	NA	63%	NA
New York	76%	66%	-10%	78%	71%	-7%
North Carolina	69%	49%	-20%	80%	79%	-1%
North Dakota	NA	57%	NA	NA	81%	NA
Ohio	72%	60%	-12%	76%	75%	-1%
Oklahoma	57%	53%	-4%	83%	76%	-7%
Oregon	67%	55%	-12%	88%	82%	-6%
Pennsylvania	75%	65%	-10%	81%	78%	-3%
Rhode Island	NA	71%	NA	NA	73%	NA
South Carolina	62%	47%	-15%	78%	75%	-3%
South Dakota	NA	52%	NA	NA	73%	NA
Tennessee	61%	55%	-6%	80%	69%	-11%
Texas	56%	46%	-10%	85%	78%	-7%
Utah	NA	47%	NA	NA	78%	NA
Vermont	NA	63%	NA	NA	67%	NA
Virginia	69%	59%	-10%	74%	73%	-1%
Washington	68%	58%	-10%	85%	83%	-2%
West Virginia	NA	50%	NA	NA	71%	NA
Wisconsin	72%	51%	-21%	74%	68%	-6%
Wyoming	NA	49%	NA	NA	79%	NA

Source: "State-Level Trends In Employer-Sponsored Health Insurance: A State-by-State Analysis," Robert Wood Johnson Foundation, April 2013. Available at http://www.rwjf.org/content/dam/farm/reports/reports/2013/rwjf405434.

Appendix Table IV
Increase in Renewal Premiums

State	Individual 2013	Individual 2014	Small Group 2013	Small Group 2014
Alabama	n/a	n/a	n/a	n/a
Alaska	n/a	n/a	n/a	n/a
Arizona	14.30%	11.00%	16.80%	15.80%
Arkansas	n/a	n/a	n/a	n/a
California	17.10%	53.10%	12.90%	36.60%
Colorado	16.3%	31.5%	10.8%	29.0%
Connecticut	12.5%	44.5%	13.7%	16.7%
Delaware	17.0%	100.0%	9.0%	20.0%
Florida	27.2%	36.8%	12.0%	20.7%
Georgia	11.3%	29.0%	15.8%	20.5%
Hawaii	n/a	n/a	n/a	n/a
Idaho	16.0%	25.5%	12.6%	18.6%
Illinois	9.0%	17.0%	13.7%	18.0%
Indiana	15.0%	53.6%	15.6%	34.2%
Iowa	21.0%	15.0%	17.0%	13.0%
Kansas	11.3%	21.3%	11.8%	19.8%
Kentucky	12.6%	29.1%	11.8%	30.2%
Louisiana	n/a	n/a	8.0%	10.0%
Maine	6.5%	8.0%	5.5%	10.5%
Maryland	15.0%	22.5%	11.5%	25.0%
Massachusetts	5.2%	11.8%	5.4%	14.6%
Michigan	16.2%	35.6%	10.5%	26.8%
Minnesota	7.0%	5.0%	8.0%	2.0%
Mississippi	10.8%	14.1%	11.3%	21.7%
Missouri	20.0%	20.0%	25.0%	25.0%
Montana	n/a	n/a	n/a	n/a
Nebraska	n/a	n/a	n/a	n/a
Nevada	13.5%	25.0%	10.0%	22.5%
New Hampshire	80.0%	90.0%	10.0%	15.0%
New Jersey	n/a	n/a	n/a	n/a
New Mexico	n/a	n/a	n/a	n/a
New York	13.6%	8.4%	12.4%	11.9%
North Carolina	n/a	n/a	n/a	n/a
North Dakota	n/a	n/a	n/a	n/a
Ohio	10.0%	15.0%	8.0%	18.0%
Oklahoma	n/a	n/a	n/a	n/a
Oregon	12.5%	4.5%	14.5%	18.0%
Pennsylvania	12.3%	28.3%	20.0%	66.3%
Rhode Island	n/a	n/a	n/a	n/a
South Carolina	8.7%	11.7%	11.0%	14.3%
South Dakota	n/a	n/a	n/a	n/a
Tennessee	15.3%	20.0%	21.7%	20.7%
Texas	13.0%	19.5%	11.5%	14.3%
Utah	9.0%	5.0%	n/a	n/a
Vermont	n/a	n/a	n/a	n/a
Virginia	14.0%	10.0%	15.0%	10.0%
Washington	20.0%	21.5%	496.5%	587.8%
West Virginia	n/a	n/a	n/a	n/a
Wisconsin	9.0%	7.0%	10.0%	9.0%
Wyoming	n/a	n/a	n/a	n/a

Source: "State-Level Trends In Employer-Sponsored Health Insurance: A State-by-State Analysis," Robert Wood Johnson Foundation, April 2013. Available at http://www.rwjf.org/content/dam/farm/reports/reports/2013/rwjf405434.

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The NCPA is a nonprofit, nonpartisan organization established in 1983. Its aim is to examine public policies in areas that have a significant impact on the lives of all Americans — retirement, health care, education, taxes, the economy, the environment — and to propose innovative, market-driven solutions. The NCPA seeks to unleash the power of ideas for positive change by identifying, encouraging and aggressively marketing the best scholarly research.

Health Care Policy.

The NCPA is probably best known for developing the concept of Health Savings Accounts (HSAs), previously known as Medical Savings Accounts (MSAs). NCPA research, public education and briefings for members of Congress and the White House staff helped lead Congress to approve a pilot MSA program for small businesses and the self-employed in 1996 and to vote in 1997 to allow Medicare beneficiaries to have MSAs. In 2003, as part of Medicare reform, Congress and the President made HSAs available to all nonseniors, potentially revolutionizing the entire health care industry. HSAs now are potentially available to 250 million nonelderly Americans.

The NCPA outlined the concept of using federal tax credits to encourage private health insurance and helped formulate bipartisan proposals in both the Senate and the House. The NCPA and BlueCross BlueShield of Texas developed a plan to use money that federal, state and local governments now spend on indigent health care to help the poor purchase health insurance. The SPN Medicaid Exchange, an initiative of the NCPA for the State Policy Network, is identifying and sharing the best ideas for health care reform with researchers and policymakers in every state.

The NCPA developed the concepts of Health Savings Accounts and Roth IRAs.

Taxes & Economic Growth.

The NCPA helped shape the pro-growth approach to tax policy during the 1990s. A package of tax cuts designed by the NCPA and the U.S. Chamber of Commerce in 1991 became the core of the Contract with America in 1994. Three of the five proposals (capital gains tax cut, Roth IRA and eliminating the Social Security earnings penalty) became law. A fourth proposal — rolling back the tax on Social Security benefits — passed the House of Representatives in summer 2002. The NCPA's proposal for an across-the- board tax cut became the centerpiece of President Bush's tax cut proposals.

NCPA research demonstrates the benefits of shifting the tax burden on work and productive investment to consumption. An NCPA study by Boston University economist Laurence Kotlikoff analyzed three versions of a consumption tax: a flat tax, a value-added tax and a national sales tax.

A major NCPA study, "Wealth, Inheritance and the Estate Tax," completely undermines the claim by proponents of the estate tax that it prevents the concentration of wealth in the hands of financial dynasties. Senate Majority Leader Bill Frist (R-Tenn.) and Senator Jon Kyl (R-Ariz.) distributed a letter to their colleagues about the study. The NCPA recently won the Templeton Freedom Award for its study and project on free market solutions to the problems of the poor. The report outlines an approach called Enterprise Programs that creates job opportunities for those who face the greatest challenges to employment.

Retirement Reform.

With a grant from the NCPA, economists at Texas A&M University developed a model to evaluate the future of Social Security and Medicare, working under the direction of Thomas R. Saving, who for years was one of two private-sector trustees of Social Security and Medicare.

The NCPA study, "Ten Steps to Baby Boomer Retirement," shows that as 77 million baby boomers begin to retire, the nation's institutions are totally unprepared. Promises made under Social Security, Medicare and Medicaid are inadequately funded. State and local institutions are not doing better — millions of government workers are discovering that their pensions are under-funded and local governments are retrenching on post-retirement health care promises.

Pension Reform.

Pension reforms signed into law include ideas to improve 401(k)s developed and proposed by the NCPA and the Brookings Institution. Among the NCPA/Brookings 401(k) reforms are automatic enrollment of

employees into companies' 401(k) plans, automatic contribution rate increases so that workers' contributions grow with their wages, and better default investment options for workers who do not make an investment choice.

Environment & Energy.

The NCPA's E-Team is one of the largest collections of energy and environmental policy experts and scientists who believe that sound science, economic prosperity and protecting the environment are compatible. The team seeks to correct misinformation and promote sensible solutions to energy and environment problems. A pathbreaking 2001 NCPA study showed that the costs of the Kyoto agreement to reduce carbon emissions in developed countries would far exceed any benefits.

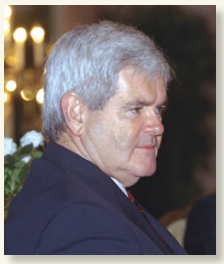
Educating the Next Generation.

The NCPA's Debate Central is the most comprehensive online site for free information for 400,000 U.S. high school debaters. In 2006, the site drew more than one million hits per month. Debate Central received the prestigious Templeton Freedom Prize for Student Outreach.

Promoting Ideas.

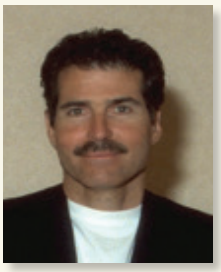
NCPA studies, ideas and experts are quoted frequently in news stories nationwide. Columns written by NCPA scholars appear regularly in national publications such as the Wall Street Journal, the Washington Times, USA Today and many other major-market daily newspapers, as well as on radio talk shows, on television public affairs programs, and in public policy newsletters. According to media figures from BurrellesLuce, more than 900,000 people daily read or hear about NCPA ideas and activities somewhere in the United States.

What Others Say About the NCPA



"The NCPA generates more analysis per dollar than any think tank in the country. It does an amazingly good job of going out and finding the right things and talking about them in intelligent ways."

Newt Gingrich, former Speaker of the U.S. House of Representatives



"We know what works. It's what the NCPA talks about: limited government, economic freedom; things like Health Savings Accounts. These things work, allowing people choices. We've seen how this created America."

John Stossel,
host of "Stossel," Fox Business Network

"I don't know of any organization in America that produces better ideas with less money than the NCPA."

Phil Gramm,
former U.S. Senator

"Thank you . . . for advocating such radical causes as balanced budgets, limited government and tax reform, and to be able to try and bring power back to the people."

Tommy Thompson,
former Secretary of Health and Human Services

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