



NSBA
2015
SMALL BUSINESS
HEALTH CARE SURVEY

FOREWORD

America's small businesses continue to face huge cost increases and struggle to navigate significant confusion and complexity with the new system. As a follow-up to our 2014 health care survey, NSBA recently surveyed more than 800 small-business owners and is pleased to provide the results of that survey in this document, the NSBA 2015 Small Business Health Care Survey. Here you will find data on how America's small businesses are dealing with rising health care costs, what benefits they offer and how ACA is impacting their business.

Celebrating more than 75 years as the nation's first small-business advocacy organization, part of NSBA's mission is to address the needs and represent the concerns of the small-business community. A staunchly nonpartisan and member-driven organization, NSBA conducts a series of surveys throughout the year, including our semiannual Economic Reports. The 2015 Small Business Health Care Survey provides both a snapshot of small business in today's health care landscape, as well as trending data from our past surveys dating from as far back as 2009.

Among the key findings when it comes to health benefits, the NSBA survey found that, while the majority of employers think offering health insurance is very important to recruiting and retaining good employees, just 41 percent of firms with zero to five employees offer health benefits, down from 46 percent one year ago. Overall, 65 percent of small firms (those with fewer than 500 employees) report offering health insurance today, down from 70 percent one year ago. For the smallest firms, those with zero to five employees, the offer rate is less than half that of their counterparts with 20 or more employees.

While cost is the number one driver of whether or not a small business will offer health insurance, the fact that the overwhelming majority of firm owners personally handle their firm's health benefits underscores the need to ease complexity when it comes to offering health benefits.

A whopping 90 percent reported increases in their health plan premiums at their most recent renewal, while 95 percent reported increased health insurance costs over the past five years. The majority expect to continue seeing cost increases in the coming year. In fact, one-in-five small firms report premium increases exceeding 20 percent at their most recent renewal. Over the last five years, 69 percent report increases exceeding 20 percent.

When asked what kind of plans they offer, the majority said they offer a PPO insurance plan as well as dental benefits. With regards to cost-sharing, the majority of small firms report paying for more than half of the cost of these benefit offerings. Among those employers who currently don't offer health insurance, but plan to do so in the coming year cited a desire to provide a competitive compensation package as the primary reason.

Eighty percent of small firms report they plan to purchase insurance through their existing broker in the coming year and just nine percent say they plan to purchase health insurance through the Small Employer Health Options Program (SHOP exchange) or an individual exchange, down from 14 percent last year.

When asked the impact of rising health insurance costs, the majority of small firms increased employees' deductibles. Slightly less than half of small firms were forced to hold off on salary increases and one-in-ten report they had to lay off an employee. There was a modest jump in the number of small firms who said they dropped coverage altogether in the last 12 months from two percent in 2014 to four percent in 2015. Unfortunately, when looking at the next 12 months, seven percent are projecting they will drop coverage.

When it comes to the ACA, the average time it takes per month for small businesses to stay abreast of all the changes to health care is 13 hours per month – that's nearly 4 work weeks every year. One-in-four small firms are purposefully not growing as a result of the ACA.

The 2015 Small Business Health Care Survey was conducted on-line Sept. 16 – Oct. 6, 2015 among 810 small-business owners—both members and nonmembers of NSBA—representing every industry in every state in the nation. Please contact Molly Day at mday@nsba.biz with questions.

We hope you find this survey useful and informative.



Tim Reynolds
NSBA Chair
Tribute, Inc.



Todd McCracken
NSBA President and CEO

FIRM DEMOGRAPHICS

How many total full-time employees are currently employed by your business?

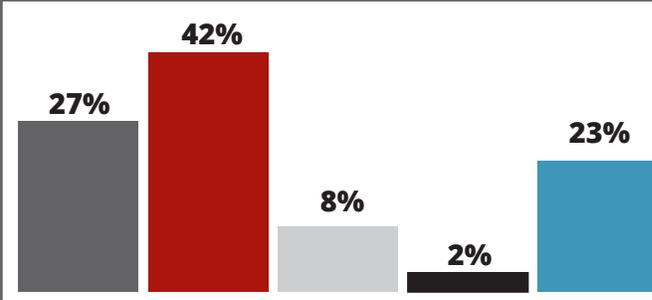
0	6%
1 - 5	35%
6 - 9	13%
10 - 20	16%
20 - 49	15%
50 - 99	7%
100 - 499	6%

About what percentage of your workforce currently works less than 30 hours per week?

None	47%
1% to 20%	37%
21% to 40%	5%
41% to 60%	5%
61% to 80%	2%
81% to 100%	5%

Which of the following best describes the structure of your business?

CORPORATION
 S-CORP
 SOLE PROPRIETORSHIP
 PARTNERSHIP
 LLC



In what region is your business located?

New England	6%
Mid-Atlantic	20%
Great Lakes	17%
Farm Belt	7%
South	23%
Mountain	14%
Pacific	14%

How many years has your firm been in business?

> 2 years	2%
2 to 5 years	9%
6 to 12 years	15%
13 to 20 years	22%
20 years +	52%

Which of the following best describes the industry or sector in which your business operates?

Manufacturing	14%
Other Services	13%
Professional	12%
Construction	12%
Scientific and Technical Services	8%
Wholesale Trade	6%
Retail Trade	6%
Health Care and Social Assistance	5%
Information (IT)	4%
Educational Services	3%
Transportation and Warehousing	3%
Agriculture, Forestry, Fishing and Hunting	2%
Finance	2%
Real Estate, Rental and Leasing	2%
Administrative and Support	1%
Public Administration	1%
Arts, Entertainment, and Recreation	1%
Management of Companies and Enterprises	1%
Waste Management and Remediation Services	1%
Utilities	1%
Insurance	1%
Accommodation and Food Services	1%
Mining	0%

What was your total payroll for the most recent fiscal year?

Less than \$100,000	21%
\$100,000 to less than \$500,000	31%
\$500,000 to less than \$1,000,000	16%
\$1,000,000 to less than \$5,000,000	22%
\$5,000,000 to less than \$25,000,000	4%
\$25,000,000 to less than \$75,000,000	1%
\$75,000,000 to less than \$150,000,000	1%
\$150,000,000 or more	3%

What were your gross sales or revenues for your most recent fiscal year?

Less than \$100,000	10%
\$100,000 to less than \$250,000	12%
\$250,000 to less than \$500,000	10%
\$500,000 to less than \$1,000,000	14%
\$1,000,000 to less than \$5,000,000	34%
\$5,000,000 to less than \$25,000,000	14%
\$25,000,000 to less than \$75,000,000	4%
\$75,000,000 to less than \$150,000,000	1%
\$150,000,000 or more	2%



HEALTH CARE DEMOGRAPHICS

Offering health insurance as an employee benefit is something the majority of small businesses think is very important in terms of recruiting and retaining good employees, yet fewer firms today report they offer some kind of health-related benefit than just one year ago. For the smallest firms, those with zero to five employees, the offer rate is less than half that of their larger counterparts, those with 20 or more employees.

Cost continues to be the number one factor in determining whether or not a small firm is able to offer his/her employees health insurance.

What is the average age of your employees?



Please rank the following factors in order of most important in determining how or if you offer or purchase health insurance.

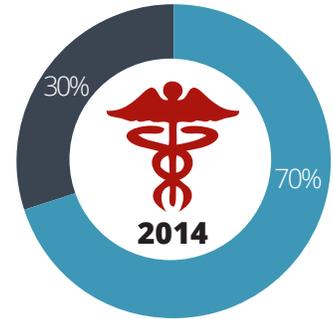
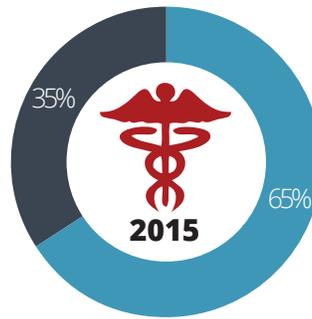
1	Cost of plans
2	Benefits offered
3	Coverage
4	Deductibles
5	Out of pocket expenses
6	ACA Requirement
7	Administrative time required
8	Complexity

Please indicate who within your company is primarily responsible for handling your benefits offerings.



Do you offer any health-related benefits to your employees?

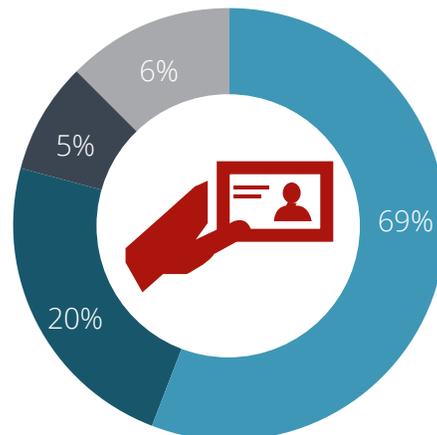
■ Yes ■ No



NUMBER OF EMPLOYEES	YES 2015	YES 2014
0-5 employees	41%	46%
6-9 employees	76%	75%
10-20 employees	73%	86%
20-49 employees	89%	91%
50+ employees	93%	94%

How important do you believe offering health insurance as an employee benefit is in recruiting or retaining top quality employees?

■ Very
■ Somewhat
■ A little
■ Not at all





HEALTH INSURANCE OPTIONS AMONG NON-OFFERING EMPLOYERS

Among those employers who currently don't offer health insurance, just 63 percent said they don't have any plans to do so in the coming year. Those who do plan to begin offering insurance cited the desire to provide a competitive compensation package as the primary driver behind why they are planning to begin offering health benefits.

Among those who DON'T currently offer health benefits: Do you have plans to offer any health insurance benefits to your employees in the next 12 months?



12%
Yes



63%
No



25%
Not Sure

“ Just 4% of small firms not offering health insurance point to ACA as a factor in terms of making it easier or cheaper to provide health benefits to their employees. ”



Among those who DON'T currently offer health benefits but say they are planning to do so: Why are you going to begin offering health insurance?

I want to provide a competitive compensation package	31%
My company is growing	19%
ACA Requirement	15%
I think my employees will expect it	12%
I think the Affordable Care Act will make it easier	4%
I think the Affordable Care Act will make it cheaper	4%
Other	15%



HEALTH BENEFITS OFFERED BY SMALL BUSINESS

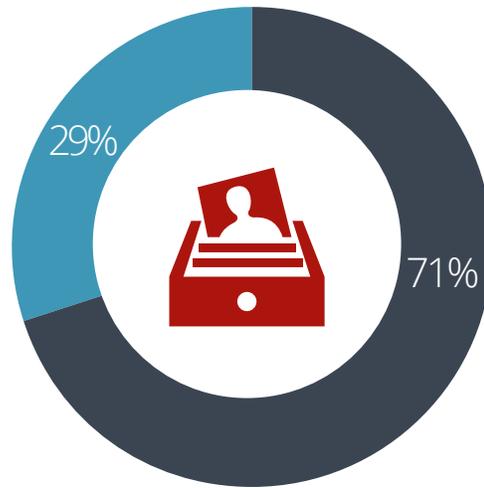
Among the small businesses that do offer a health benefits plan, the most commonly offered plan is a traditional insurance PPO plan. Just 29 percent offer more than one health insurance plan. When it comes to cost sharing, the overwhelming majority of small firms report paying for more than half of the cost of their employees' plans, including PPO and HMO insurance, high deductible plans, vision and dental, and prescription and wellness plans.

Please indicate which of the following health-related benefits you offer. (Check all that apply)

	2015	2014
PPO insurance plan	68%	64%
Dental benefits	60%	59%
Vision benefits	43%	42%
HMO insurance plan	29%	30%
High-deductible plan	27%	33%
Health Savings Account	26%	23%
Flexible Spending Account	16%	21%
Wellness programs	16%	17%
Prescription discount card	15%	16%
Health Reimbursement Arrangement	9%	11%
Fitness programs and/or gym memberships	7%	9%
Hospital discount card	1%	1%
Other	5%	5%

Do you offer more than one health insurance plan, i.e.: a lower-cost option and a higher-cost option?

■ Yes ■ No



Among employers offering the following benefits: please indicate your average employer contribution toward the following health-related benefits.

	Offer, but don't contribute financially	1- 20%	21-50%	51-75%	76-100%
HMO insurance plan	3%	4%	19%	20%	54%
PPO insurance plan	4%	6%	12%	17%	61%
Vision benefits	29%	7%	8%	8%	48%
Dental benefits	26%	7%	11%	7%	48%
High-deductible plan	6%	6%	9%	20%	59%
Hospital discount card	60%	0%	10%	10%	20%
Prescription discount card	12%	0%	14%	17%	57%
Wellness programs	14%	3%	9%	10%	64%
Fitness programs and/or gym memberships	30%	11%	5%	11%	43%
Health Savings Account	41%	10%	13%	8%	28%
Flexible Spending Account	70%	8%	6%	3%	13%
Health Reimbursement Arrangement	21%	13%	13%	10%	44%

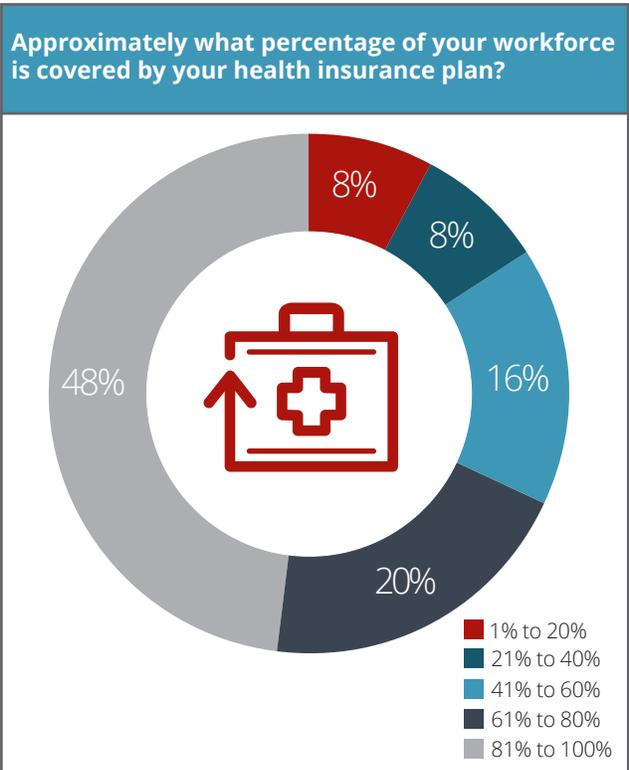


EMPLOYEES COVERED BY EMPLOYER BENEFIT PLANS

Most small businesses offer their health benefits package to full-time employees as well as to their families. Just 11 percent offer insurance to part time employees. For nearly half of all small employers, their insurance plans cover more than 80 percent of their workforce under their health insurance plan. One-third of small firms report covering less than 60 percent of their workforce under their health insurance plan.

Among employers who provide health insurance: please indicate which employee groups you offer health benefits to. (Check all that apply)

Full-time employees	70%
Full-time employees and a spouse	34%
Full-time employees and their families	63%
Part-time employees	11%
Part-time employees and a spouse	6%
Part-time employees and their families	8%



“
Nearly ½ of small firms provide health insurance to more than 80% of their workers.
 ”



HEALTH INSURANCE COSTS

Small employers ranked cost the number one factor in determining whether or not they offer health insurance, and costs continue to rise. A whopping 90 percent reported increases in their health plan at their most recent renewal while 95 percent reported increased health insurance costs over the past five years. The majority expect to continue seeing cost increases in the coming year.

Beyond the health insurance premiums, 55 percent of employers report additional health-care related spending on average of \$628 per month, per employee.

At your most recent health insurance renewal, what per-employee changes did you experience in the cost of your health insurance plan?

■ 2015 ■ 2014



90%
Increase
91%



6%
Decrease
5%



4%
No Change
3%

How did your average per-employee health insurance costs change over the last five years?

■ 2015 ■ 2014



95%
Increase
96%



3%
Decrease
3%



2%
No Change
2%

Do you expect an increase to the cost of your health insurance premiums for the upcoming year?

■ 2015 ■ 2014



84%
Increase
82%



6%
Decrease
9%



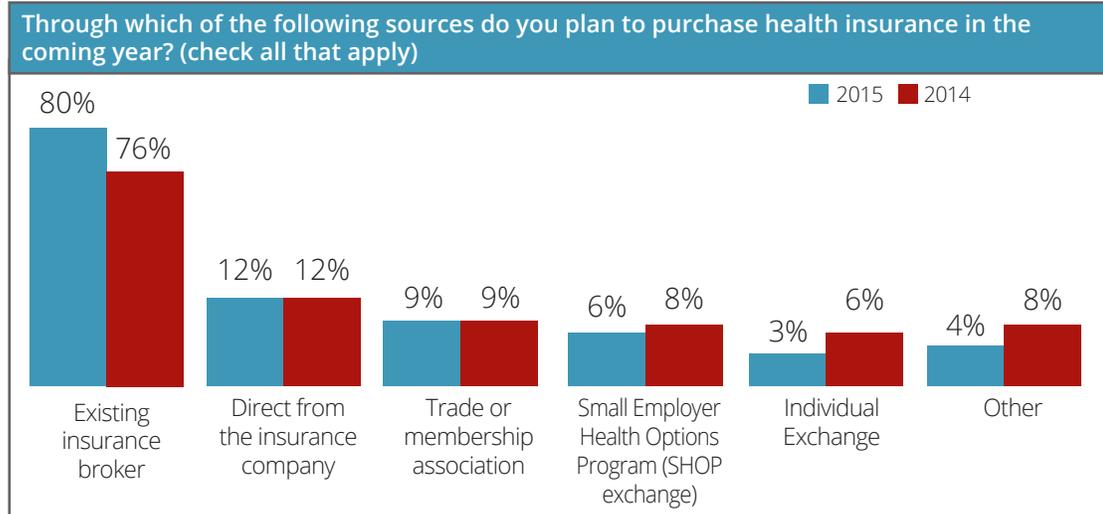
10%
Not Sure
9%



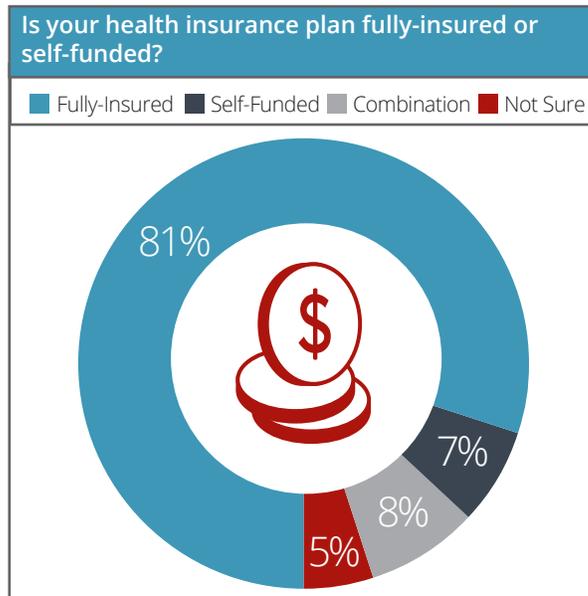
HEALTH INSURANCE PURCHASING

Insurance brokers play an integral role in small-business health insurance with 80 percent of small businesses saying they plan to purchase insurance through their existing broker in the coming year. There were slight drops in small firm plans to purchase health insurance through an ACA exchange from the previous year, no surprise given the complexity with the Affordable Care Act.

The majority of firms are fully-insured, meaning the insurance company takes on the financial risk of health claims.



“Despite claims of ease in signing up, fewer small firms are looking to exchanges than just one year ago.”



Please indicate how your company accesses and utilizes cost and quality information in your health plan. (Check all that apply)

The insurance company provides information directly to anyone enrolled	52%
I provide it to my employees based on information from our insurance company and/or broker	45%
I utilize external resources such as Health Grades	4%
I receive very little information from my insurance company and/or broker about cost and quality of providers	12%
I do not receive or utilize any cost or quality information	11%
Other	3%



IMPACT OF RISING HEALTH CARE COSTS

While the impact of rising health insurance costs have eased in nearly every indicator from 2014 to 2015, given the cost indicators in other questions, these shifts are likely due more do the improving economy. Underscoring the fact that insurance hasn't become cheaper or easier to purchase: the only indicator in this question that increased was "switched insurance carriers," which is typically the first step small firms take when available to try and ease the impact of cost increases.

When asked the impact of rising health insurance costs, the majority of small firms have responded by increasing employees' deductibles. Slightly less than half of small firms were forced to hold off on salary increases and one-in-ten report they had to lay off an employee.

There was a modest jump in the number of small firms who said they dropped coverage altogether in the last 12 months from two percent in 2014 to four percent in 2015. Unfortunately, when looking at the next 12 months, seven percent are projecting they will drop coverage.

In the LAST 12 months, have you made any of the following changes? (Check all that apply)

	2015	2014	2013
Changed to policy with higher deductible	34%	36%	41%
Changed to policy with higher co-payments	28%	30%	40%
Increased employee's contribution	28%	29%	31%
Reduced benefits offered	19%	19%	23%
Changed insurance company	18%	12%	18%
Switched to HMO or PPO plans	8%	6%	5%
Added a Health Savings Account plan	5%	6%	5%
Dropped coverage	4%	2%	2%
Instituted wellness programs (preventive care)	3%	4%	7%
Other	3%	2%	4%
Switched to full or partial self-insured	3%	2%	3%
Dropped coverage and give money directly to employees to purchase insurance individually	3%	3%	1%
Switched to cafeteria-style program	2%	1%	2%
Instituted managed care	1%	1%	0%
None of the above	37%	33%	29%

What is the impact of health insurance increases on your business? (Check all that apply)

	2015	2014
Less profit available for general business growth	63%	66%
Increased deductible	54%	54%
Held off on salary increases for employees	45%	53%
Increased employee share of the premium	40%	46%
Switched insurance carriers	35%	26%
Reduced employee benefits	32%	40%
Held off on hiring a new employee	25%	34%
Increased prices	20%	22%
Delayed purchase of new equipment	17%	22%
Held off on implementing growth strategies	17%	24%
Reduced workforce/laid off an employee	11%	12%
Dropped insurance	5%	6%
Other	5%	6%

In the NEXT 12 months, are you considering making any of the following changes? (Check all that apply)

	2015	2014	2013
Increase employee's contribution	34%	42%	39%
Change to policy with higher deductible	29%	34%	25%
Change to policy with higher co-payments	27%	32%	29%
Reduce benefits offered	22%	29%	29%
Change insurance company	20%	18%	16%
Drop coverage and give money directly to employees to purchase insurance individually	12%	23%	7%
Drop coverage	7%	15%	4%
Add a Health Savings Account plan	6%	8%	8%
Other	5%	6%	4%
Switch to full or partial self-insured	5%	6%	4%
Institute wellness programs (preventive care)	2%	4%	3%
Switch to HMO or PPO plans	2%	3%	2%
Switch to cafeteria-style program	2%	3%	2%
Institute managed care	1%	1%	0%
None of the above	38%	23%	30%



SMALL BUSINESS & THE AFFORDABLE CARE ACT

Given the growing awareness and public discourse over the Affordable Care Act, more small businesses say they clearly understand the law's impact on their business than had previously. That said, the majority, 51 percent, still have a limited to no understanding whatsoever. The average time it takes per month for small businesses to stay abreast of all the changes to health care is 13 hours per month – that's nearly 4 work weeks ever year!

Further underscoring the confusion surrounding the ACA: one-third of small firms aren't aware of a requirement that, starting in 2016, businesses may have to report to the IRS on their 2015 insurance offerings to ensure compliance with the individual and employer mandate.

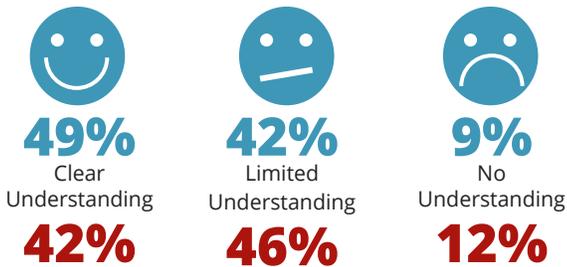
On the positive side, when asked to indicate their experience with various provisions of the ACA, the negative responses in every category dropped from 2014 to 2015. There was also positive movement when asked about how they're restructuring their workforce due to the ACA in that there are fewer major shifts occurring. That said, one-in-four still are not growing due to the ACA.

How significantly do you believe the Cadillac Tax will impact your business?

Very significantly	12%
Somewhat significantly	14%
Not very significantly	12%
No impact	26%
I have not calculated it	7%
I have no idea what this is	31%

How well would you say you understand how the Affordable Care Act is impacting your business?

■ 2015 ■ 2014



If you qualify for the small-business health care tax credits, how much have or will they help your business?

Significantly	6%
Moderately	5%
Just a little	5%
Not at all	15%
I do not qualify	26%
I'm not sure if I qualify	32%
I don't offer health insurance and don't plan to	12%

Please estimate the time and cost it takes your company to stay compliant with the Affordable Care Act.



13
average hours spent



\$1,116.05
average cost per month

Are you aware that, under the Affordable Care Act, businesses in 2016 may have to begin reporting to the IRS on their 2015 insurance offerings to ensure compliance with the individual and employer mandate?

Yes I am aware and I will have to complete one of these reports	24%
Yes I am aware but I do NOT have to complete any of these reports	40%
No - I am not aware of this reporting requirement	36%



SMALL BUSINESS & THE AFFORDABLE CARE ACT

Are you restructuring your workforce in any way due to the Affordable Care Act?
(Check all that apply)

	2015	2014
Not growing	25%	33%
Subcontracting more projects out instead of hiring on employees	12%	15%
Hiring more part-time versus full-time employees	12%	14%
Reducing hours for existing employees	7%	10%
Other	6%	6%
I am not restructuring my workforce due to the Affordable Care Act	59%	48%
May utilize a Professional Employer Organization (PEO)	3%	2%

“ 1-in-4 small firms are purposefully not growing as a result of the Affordable Care Act. ”



Please indicate what your first-hand experience has been to date with the following provisions of the Affordable Care Act.

2015

	Positive	Neutral	Negative	No Experience
Individual Exchanges	8%	11%	20%	61%
SHOPs (small business exchanges)	2%	9%	14%	75%
Small business health care tax credits	4%	11%	15%	70%
Premium assistance tax credits	2%	7%	12%	79%
Healthcare.gov website	7%	13%	24%	57%
State-run exchanges	4%	12%	18%	66%
Federal exchange	3%	10%	18%	69%

2014

	Positive	Neutral	Negative	No Experience
Individual Exchanges	5%	6%	28%	62%
SHOPs (small business exchanges)	3%	5%	18%	74%
Small business health care tax credits	4%	9%	21%	65%
Premium assistance tax credits	3%	5%	18%	74%
Healthcare.gov website	3%	7%	32%	57%
State-run exchanges	4%	7%	19%	71%
Federal exchange	3%	10%	18%	69%



The 2015 Small Business Health Care Survey was conducted online Sept. 16 – Oct. 6, 2015 among 810 small-business owners—both members and nonmembers of NSBA—with fewer than 500 employees representing every industry in every state in the nation.



NSBA

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