

# How Health Reform Will Benefit Iowa Small Businesses

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## The Health Insurance System Is Failing Small Businesses:

Small businesses face an unlevel playing field with insurance companies:

- **Lack of Bargaining Power:** Small businesses pay 18 percent more than larger groups for the same coverage, and 20-25 percent in administrative costs compared to around 10 percent for larger firms.<sup>1</sup>
  - **Lack of Real Choices:** In Iowa the top two insurers maintain 80% of the market share, leaving small businesses without real choices.
  - **Lack of Accountability:** Insurers have free reign to raise rates at their whim, and small business owners have no recourse and no way to level the playing field.
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## How Health Reform Will Help Small Businesses:

The current proposal for health reform will make health care work for small businesses:

- **A health insurance exchange** will simplify the system and give small businesses new choices.
- **A competitive public health insurance plan** will give small businesses new leverage, drive down costs, and keep insurance companies honest.
- **Insurance market reforms** will prohibit pre-existing condition exclusions and end discrimination against small groups based on health status and gender.
- **Affordability measures** including tax credits for small businesses and subsidies for employees will make health coverage affordable.

These elements are essential to make health care work for small businesses.

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## Why Small Businesses Can't Afford to Wait for Health Reform:

Small businesses need health reform – this year:

- **The Cost of Doing Nothing:** Without health reform, economic research projects that Iowa small businesses will pay \$3.8 billion in health care costs over the next ten years, and in 2018 small businesses will pay twice as much for health care as they pay now.<sup>2</sup> Small businesses simply can't afford that.
- **Savings from Fixing Health Care:** Nationally health reform could save hundreds of billions of dollars for small businesses. For businesses with under 10 employees that offer coverage, health reform could save an estimated \$3,500 per employee per year compared to current health care costs.<sup>3</sup> That's what small businesses need.

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<sup>1</sup> Lester Feder & Ellen-Marie Whelan, "Small Businesses, Large Problems: Health Care Costs Hit Small Employers," Center for American Progress, October 30, 2008, [http://www.americanprogress.org/issues/2008/10/small\\_business\\_brief.html](http://www.americanprogress.org/issues/2008/10/small_business_brief.html)

<sup>2</sup> "The Economic Impact of Healthcare Reform on Small Business," Small Business Majority, June 2009, pp. 7-8, charts 1 & 2.

<sup>3</sup> Josh Bivens, Elise Gould, and Alexander Hertel-Fernandez, "Health Care Reform: Big Benefits for Small Businesses," Economic Policy Institute Issue Brief #258, July 2009, p.5, figure D.