



Health Coverage: A Micro-Business Perspective

JUNE 2008 | A Publication of the National Association for the Self-Employed (NASE)

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Introduction

The National Association for the Self-Employed (NASE) is continually monitoring the issues and challenges facing micro-businesses in the United States. One of the most significant of these issues is health care, specifically the ability for micro-businesses to obtain affordable, quality health insurance.

The NASE's investigations into health care issues date back to 2002, when the association implemented a comprehensive study of the leading health care issues facing micro-businesses. A follow-up study was conducted in 2005 to track changes and extend the scope of information collected. This present study, conducted in early 2008, continues along these lines and presents the most timely data available.

The survey received strong participation rates, with 3,974 usable responses collected. The overall survey results are highly valuable illustrations of overarching trends and issues. However, given the diversity of the micro-business community, examining the data based solely on overall results limits research insights to generalized trends. To fully explore the findings, it is necessary to segment the data to determine how different population segments feel about each issue examined.

The depth of the data collected by the 2008 NASE survey permits a variety of potential segmentation points—virtually any demographic or attitudinal variable could be used as a valid way to group responses. However, it is important to remain focused on the main “drivers” of health care issues—segmenting the data too finely, or in too many ways, can lead to confusion rather than clarity. Therefore, only the most significant segmentation variables were used in the analysis. More important, the segmentation approach parallels the approach used in past surveys to ensure the data can be effectively examined for trends.

The primary segmentation is based upon the fol-

lowing two criteria:

- **Number of employees**—the size of the company is a critical issue to explore as the needs and perceptions of a multi-employee micro-business are often far different from those of a solo practitioner.
- **2007 gross sales**—this is a traditional variable used in any business study to evaluate how company volume impacts the issues under investigation. While it overlaps to some extent with the number of employees (i.e., larger grossing companies typically have more employees), the fact that health insurance can be a significant expense warrants using this variable as a segmentation tool to examine the cost impact of insurance.

Specific segmentation categories for these variables were selected to balance the need for clear data meaning, while maintaining a workable and valid number of respondents within each segment. Whenever possible, the same segmentation methodology used in past surveys was replicated to permit year-to-year data comparisons.

A variety of secondary segmentation methods are also used for selected areas of the analysis. These encompass:

- age of the business owner/operator
- gender of the business owner/operator
- geographic area where the business is located
- current health insurance status of the business owner/operator
- prevalence of offering health insurance through the business
- most favored health care system structure

The NASE believes this survey will shed light on the state of health coverage for micro-businesses and their perspectives on the important topic of health care reform in our nation.

PART I: Personal Demographics

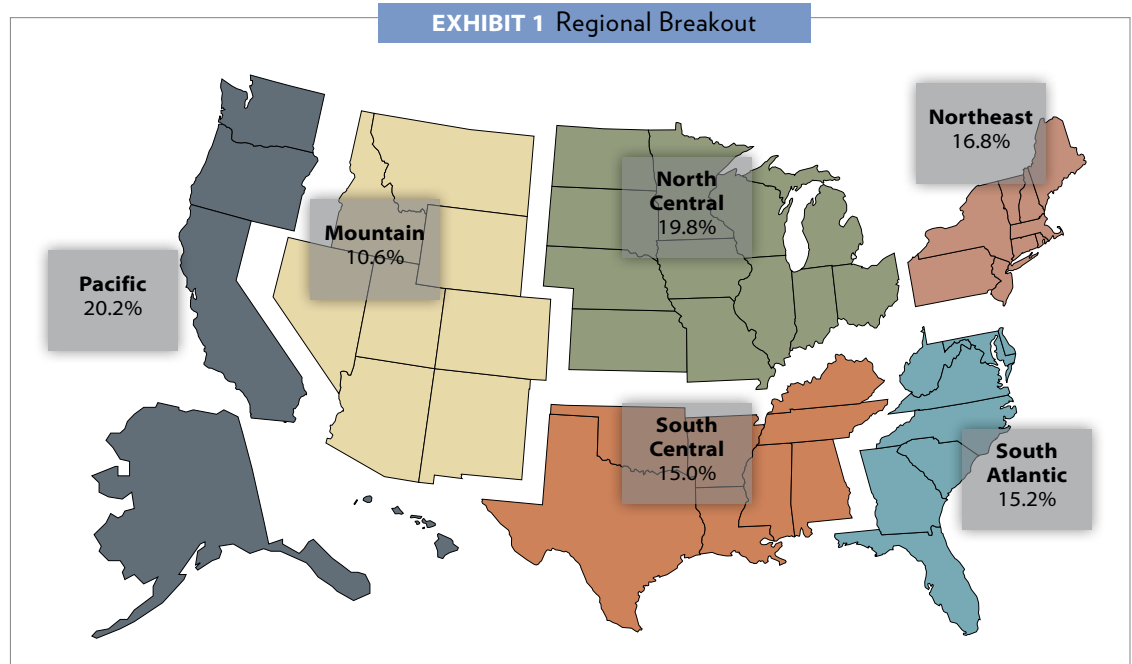


PART I: Personal Demographics

Geographic Location

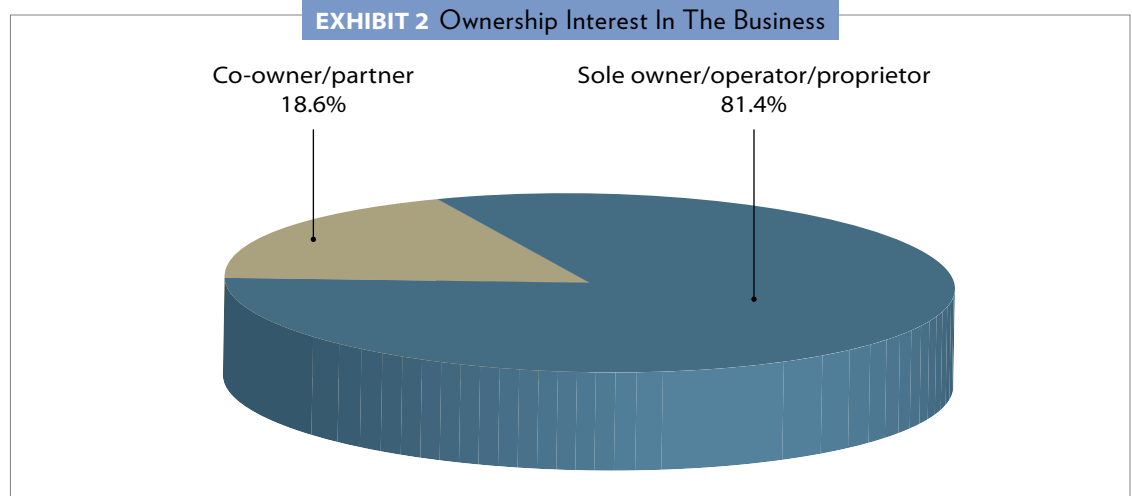
Responses were received from all 50 states, the District of Columbia and the Virgin Islands.

The 2008 sample is well-balanced regionally, with strong representation from every region of the country. The Pacific and North Central regions are best represented with each accounting for about one in five of the respondents. Least represented is the Mountain region, but this region still accounts for 10.6% of the sample.



Company Ownership

By sample design, all respondents have an ownership interest in their business. Most (81.4%) are the sole owner/operator/proprietor of their business, with the balance indicating they are a co-owner or partner (see Exhibit 2).



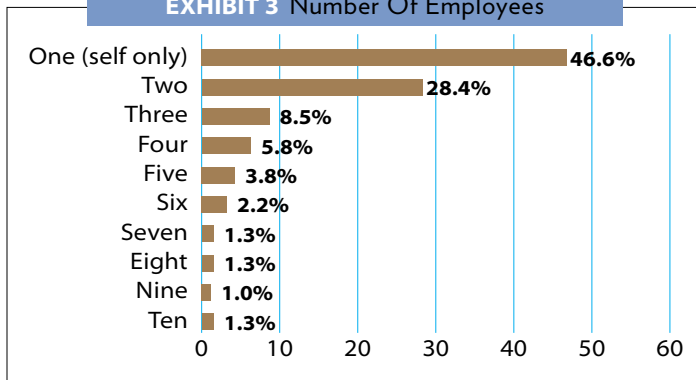
Company Size

The number of employees, including the respondent and any family members, ranges from one to ten. As summarized in Exhibit 3, the solo practitioners (i.e., the one-person companies) dominate the sample, accounting for 46.6% of the responses.

Although the median number of employees (2) remains stable across all survey samples, the 2008 sample is somewhat more reflective of the smallest companies.



EXHIBIT 3 Number Of Employees



Company Revenue

Gross sales for 2007 span a wide range, with respondents reporting sales from less than \$10,000 to more than \$5 million. As in past samples, the most popular category is \$100,000 to \$199,999, selected by 18.2%. Given the smaller average company size (in terms of employees) it is not surprising to see that the 2008 sample has the lowest median and average gross sales figures (\$87,500 and \$229,400, respectively). The overall response distribution for the current and 2005 samples is illustrated in Exhibit 4.

EXHIBIT 4 Gross Sales

	2008 SURVEY	2005 SURVEY
Less than \$10,000	10.2%	6.3%
\$10,000–\$24,999	7.3%	5.2%
\$25,000–\$49,999	12.1%	9.5%
\$50,000–\$74,999	11.1%	9.2%
\$75,000–\$99,999	10.5%	10.0%
\$100,000–\$199,999	18.2%	16.7%
\$200,000–\$299,999	8.5%	12.6%
\$300,000–\$499,999	6.5%	11.3%
\$500,000–\$749,000	3.0%	8.1%
\$750,000–\$999,999	2.0%	3.9%
\$1 million –\$2.5 million	2.8%	4.2%
\$2.6 million–\$4.9 million	0.6%	0.3%
\$5 million +	0.2%	0.0%
No response	7.0%	2.6%
Median	\$87,500	\$150,000
Average	\$229,400	\$301,910

PART I: Personal Demographics

Business Organization

A sole proprietorship is the most common business organizational structure, indicated by more than one-half (56.6%) of the respondents. A Chapter S corporation and a limited liability company are also relatively popular organizational structures, selected by 17.7% and 16.4% respectively. As expected, the sole proprietorships are the smallest companies, both in terms of employees (average of 1.8) and gross sales (average of \$129,266). The limited liability partnerships are the largest, with an average of 3.6 employees and average gross sales of nearly \$500,000 (see Exhibit 5).

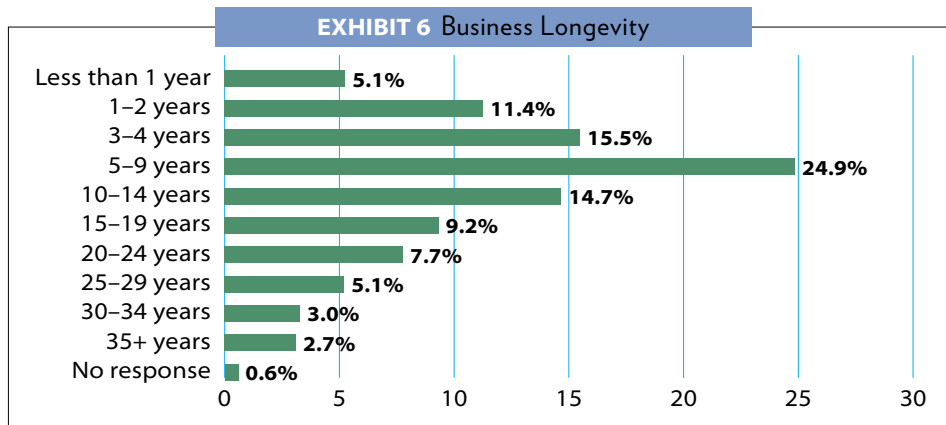
EXHIBIT 5 Business Organization

	% OF 2008 SAMPLE	AVERAGE NUMBER OF EMPLOYEES	AVERAGE 2007 GROSS SALES
Sole proprietorship	56.6%	1.8	\$129,266
Corporation (Chapter S)	17.7%	3.0	\$150,000
Limited liability company (LLC)	16.4%	2.7	\$150,000
Corporation (Chapter C)	4.6%	3.1	\$384,632
General partnership	2.0%	2.6	\$172,204
Limited liability partnership (LLP)	0.9%	3.6	\$498,790
Limited partnership	0.7%	3.5	\$400,729
Other(*)	0.8%	N/A	N/A
No response	0.3%	N/A	N/A

*"Other" responses chiefly consist of nonprofits.

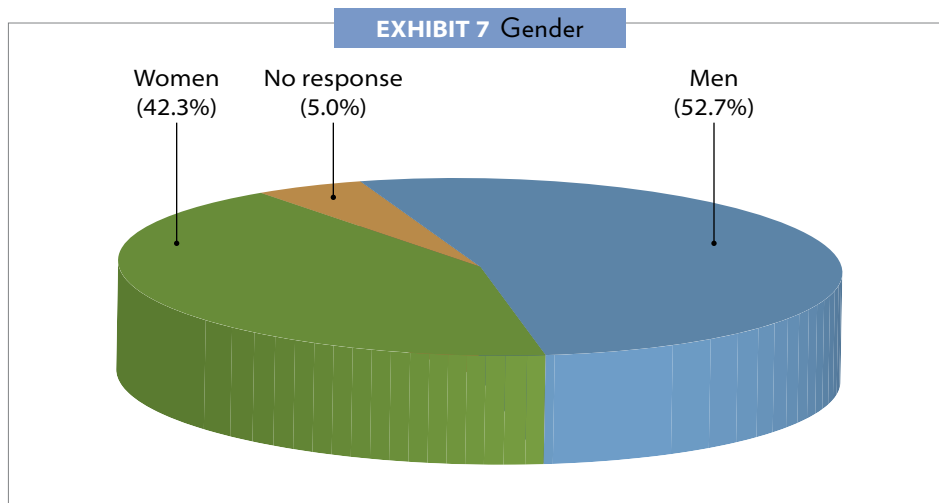
Years In Operation

Time in business spans a wide range, with responses ranging from less than one year to greater than 35 years. The “typical” respondent’s company has been in operation for 7 years. As summarized in Exhibit 6, the 2008 sample is highly reflective of startup companies, with 5.1% of the respondents in business for less than one year, and 11.4% in business for 1-2 years.



Age And Gender

Men outnumber women in the 2008 sample by a small margin, as summarized in Exhibit 7. The most popular age segment is 46 to 55 years old, accounting for 37.7% of the sample. The overall average age is 49.6 years, with men reporting a slightly higher average age (49.7 years for men versus 48.6 years for women).



Demographic Comparison

A comparison of the 2008 and 2005 samples on the demographic criteria used as segmentation variables shows the two samples are generally analogous. The differences are mainly due to a larger proportion of solo practitioners in the 2008 sample (46.6% of the sample versus 30.4% in 2005). In turn, this factor manifests itself in having fewer respondents in the upper gross sales categories (i.e., 8.6% of the 2008 sample are in the \$500,000+ gross sales category versus 16.5% of the 2005 sample). The 2008 sample is better balanced geographically and by gender. None of these differences interfere with an effective comparison of trends over time.

The most significant difference is the sample size, with the 2008 sample comprised of 3,974 respondents versus 618 in 2005. This gives the 2008 sample greater accuracy and depth compared with the 2005 sample, permitting a more in-depth exploration of health care issues, factors, and perceptions among micro-businesses.

PART II: Health Insurance Coverage For The Business Owner/Operator



Personal Coverage Status

About two-thirds (67%) of the respondents say they have personal health insurance coverage that was purchased either through their business or on an individual basis. The percentage with health insurance through their spouse is significantly lower from the 2005 survey, dropping to 17.4% from 27%. A small number (1.2%) have health insurance through other means, most commonly a second job, via COBRA through a former employer, or through federal or state-level programs, such as Medicare. The percentage without health insurance (14.3%) is unchanged since 2005. The number of respondents who have no plans to acquire health insurance in the coming year is up slightly, rising to 6.7% from 5.7%. Overall responses are summarized in Exhibit 8.

EXHIBIT 8 Personal Health Insurance Coverage Status

STATUS	2008 SURVEY	2005 SURVEY
I have health insurance that is purchased through my business or on an individual basis	67.0%	54.9%
I have health insurance coverage under my spouse's health plan through his/her employer	17.4%	27.0%
I do not have health insurance coverage at present, but plan on acquiring it sometime in 2008	7.6%	8.6%*
I do not have health insurance coverage and have no plans to acquire it in 2008	6.7%	5.7%*
Other	1.2%	3.9%
No response	0.1%	0.0%

*Time period was 2005 for the 2005 survey.

Segmenting responses shows the following major trends.

- As in 2005, the solo practitioners are least likely to have an individual policy—only 50.9% of the solo practitioners report having such a policy versus 73.6% of those from companies with six or more employees. There is an inverse pattern regarding coverage under a spouse's plan—28.7% of the solo practitioners have their insurance in this manner versus only 12.2% of those from the larger companies. This situation is also seen when the data are segmented by gross sales, with fewer than one-half of those grossing under \$50,000 holding an individual policy versus nearly 80% of those grossing \$500,000 or more.
- Women are slightly more likely to have an individual plan than men (68.4% versus 64.5%). The inverse is seen regarding coverage under a spouse's plan, with 16.6% of the women covered versus 18.8% of the men.
- There are no clear age-based trends, with the youngest respondents about equally as likely to have an individual plan as the older respondents. Coverage under a spouse's plan peaks at 19.2% among those 65 or older.
- Geographical variations are seen but are generally modest. The incidence of having an individual plan peaks among those in the Northeast region (71.9%) and is lowest among those in the South Central region (61.1%).

EXHIBIT 9 Personal Health Insurance Coverage By Segment

		PURCHASED INDIVIDUALLY OR THROUGH COMPANY	COVERED UNDER SPOUSE'S PLAN	HAVE INSURANCE THROUGH OTHER MEANS*	PLAN ON ACQUIRING COVERAGE IN 2008	NO PLANS TO ACQUIRE
Overall		67.0%	17.4%	1.2%	7.6%	6.7%
NUMBER OF EMPLOYEES	1 (self only)	50.9%	28.7%	0.7%	12.9%	6.8%
	2	52.4%	26.1%	0.8%	11.7%	8.6%
	3-5	69.2%	17.7%	0.9%	6.2%	5.9%
	6+	73.6%	12.2%	1.6%	6.0%	6.5%
GROSS SALES	Under \$50,000	47.6%	32.9%	0.6%	14.7%	3.8%
	\$50,000-\$99,999	53.0%	24.8%	0.0%	12.9%	9.2%
	\$100,000-\$199,999	58.4%	29.1%	0.4%	5.5%	6.4%
	\$200,000-\$499,999	70.2%	10.7%	1.0%	7.8%	10.1%
	\$500,000+	79.5%	8.1%	2.9%	4.6%	4.9%
GENDER	Female	68.4%	16.6%	1.7%	6.9%	6.2%
	Male	64.5%	18.8%	0.9%	8.3%	7.4%
AGE	Under 36	70.4%	15.9%	0.6%	6.4%	6.6%
	36-45	64.7%	18.8%	2.0%	8.4%	6.1%
	46-55	65.6%	18.2%	0.7%	8.3%	7.0%
	56-65	67.6%	16.5%	1.6%	6.5%	7.6%
	65+	66.4%	19.2%	0.8%	8.0%	5.6%
GEOGRAPHIC REGION	Northeast	71.9%	16.1%	1.2%	5.9%	5.0%
	South Atlantic	65.3%	15.8%	1.7%	8.7%	8.3%
	South Central	61.1%	20.5%	0.7%	9.9%	7.9%
	North Central	67.6%	19.1%	1.4%	5.6%	6.4%
	Mountain	68.8%	15.8%	1.2%	6.4%	7.8%
	Pacific	67.2%	16.5%	1.1%	8.7%	6.2%

*Includes situations such as a second job, via a previous employer/COBRA, Medicare, etc.

PART II: Coverage For The Business Owner/Operator

Insurance Access Perceptions

In a continuation of the trends seen in 2005, the 2008 respondents again strongly feel that small businesses are at a disadvantage compared with large businesses when it comes to access to health insurance. This situation has not improved over the past three years—more than eight of every 10 respondents disagree with the statement “small businesses have access to the same health insurance options as large businesses.” Access to health insurance has also not taken a turn for the better, with nearly one-half of the respondents saying they do not have access to health insurance options that fit their needs. Again, this is virtually the same pattern seen in 2005.

Knowing where to find health insurance is less of a problem, with about the same number agreeing as disagreeing with the statement “I know exactly where to find health insurance coverage for myself and my employees.” Still, while this is a less pressing problem than overall access to health insurance, the situation has not improved since 2005.

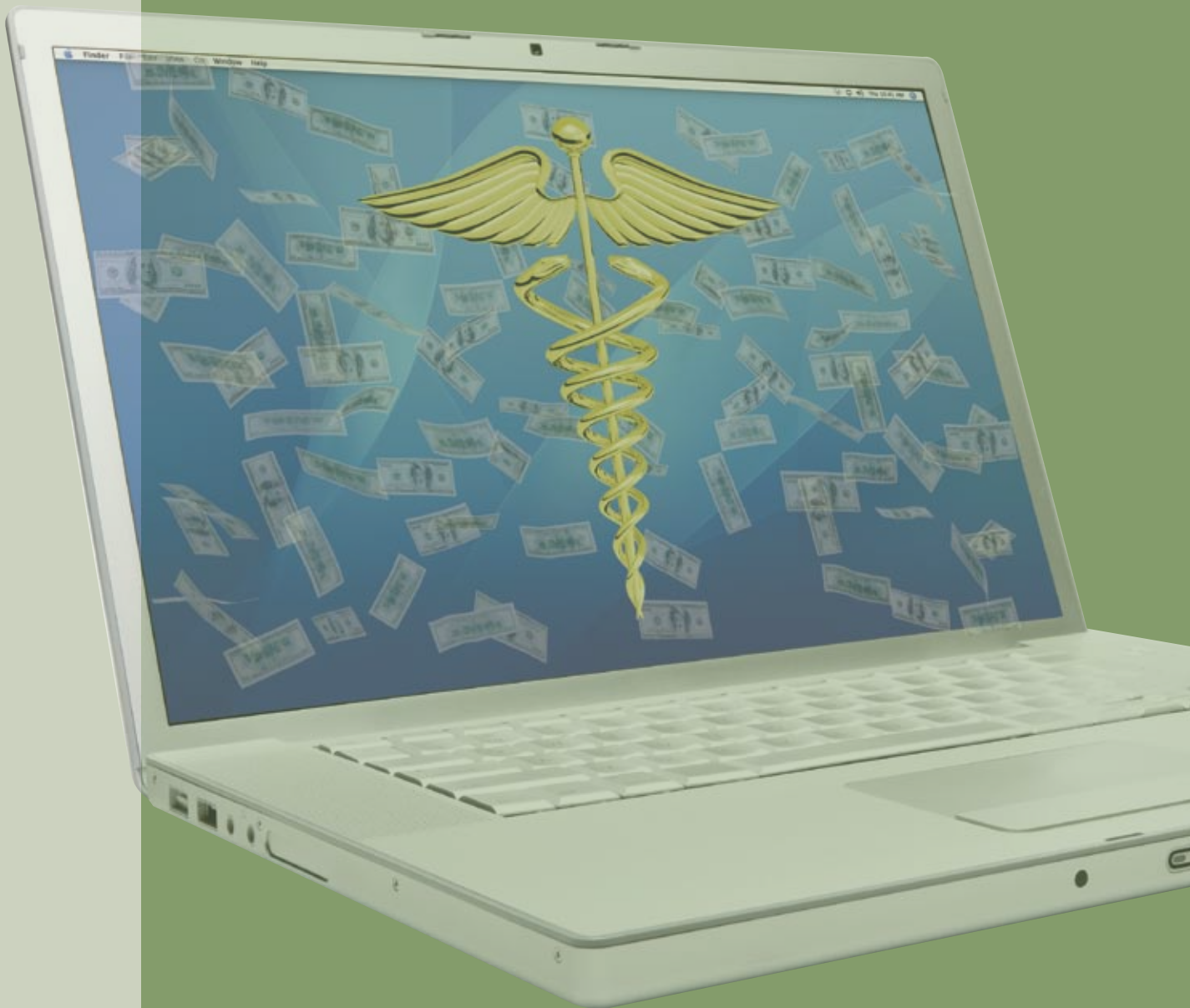
The largest share of respondents in both samples feel it is the employer’s responsibility to offer health insurance, and that health insurance is a necessity to remain competitive regarding employee recruitment. However, uncertainty levels regarding these issues have grown since 2005, with as many as 18.1% not able to voice an opinion (versus just over 6% in 2005).

EXHIBIT 10 Opinions On Insurance Access

	YEAR	DISAGREE	NEUTRAL	AGREE	NO OPINION
Small businesses have access to the same health insurance options as large businesses	2008	81.5%	5.8%	8.6%	4.1%
	2005	81.4%	10.7%	5.3%	2.6%
I have access to health insurance options that fit my company’s needs	2008	49.9%	20.8%	23.8%	5.6%
	2005	46.0%	25.4%	24.6%	4.0%
I know exactly where to find health insurance coverage for myself and my employees	2008	36.1%	25.4%	35.1%	3.4%
	2005	36.9%	23.3%	36.2%	3.6%
I feel it is my responsibility as an employer to offer health insurance as an employee benefit	2008	19.8%	25.8%	36.8%	17.6%
	2005	27.2%	23.6%	43.0%	6.1%
It is necessary to offer health insurance as a benefit to find and hire qualified people	2008	13.7%	24.1%	44.0%	18.1%
	2005	19.7%	29.0%	44.8%	6.5%

NOTE: “Disagree” are the percentage selecting either of the lowest two ranking points; “agree” are the percentage selecting either of the highest two ranking points; “neutral” are the percentage selecting the mid-point. Responses in bold red denote the most popular response for each statement.

PART III: Health Insurance Coverage Through The Business



Health Insurance Through The Business

The incidence of offering health insurance through the business (either for the owner or the employees) is up a small amount since 2005. As summarized in Exhibits 11 and 12, 46.8% presently offer health insurance through their business, a small but clear increase over the 38.5% reporting the same in 2005. A few (2.6%) plan to offer health insurance through their business in 2008.

EXHIBIT 11 Health Insurance Plans Through The Business

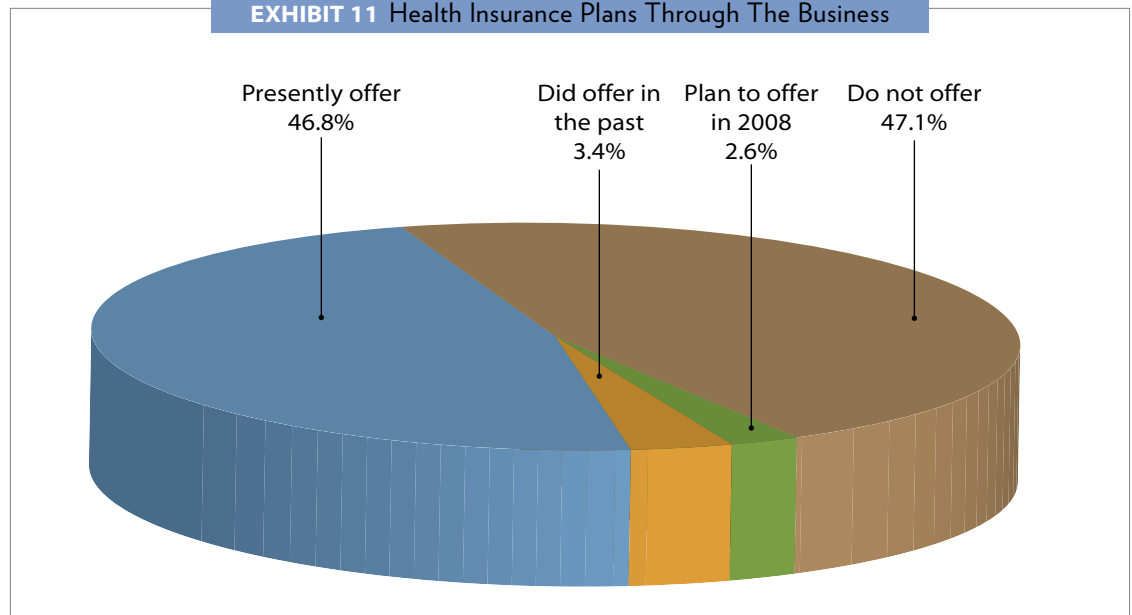


EXHIBIT 12 Health Insurance Plans Through The Business By Segment

		PRESENTLY OFFER	PLAN TO OFFER THIS YEAR	OFFERED IN THE PAST	DO NOT OFFER
Overall—2005		38.5%	4.5%	5.8%	51.1%
Overall—2008		46.8%	2.6%	3.4%	47.1%
NUMBER OF EMPLOYEES	1 (self only)	45.3%	1.6%	1.9%	51.2%
	2	53.5%	2.4%	3.4%	40.7%
	3-5	42.5%	5.0%	5.0%	47.4%
	6+	40.9%	4.3%	10.0%	44.8%
GROSS SALES	Under \$50,000	40.0%	2.2%	2.3%	55.5%
	\$50,000-\$99,999	48.1%	2.0%	2.7%	47.2%
	\$100,000-\$199,999	54.0%	2.1%	3.5%	40.5%
	\$200,000-\$499,999	51.8%	3.2%	4.4%	40.6%
	\$500,000+	46.8%	5.3%	6.8%	41.2%
GENDER	Female	46.1%	2.3%	3.2%	48.4%
	Male	48.0%	2.8%	3.5%	45.7%
AGE	Under 36	46.0%	3.5%	2.0%	48.6%
	36-45	45.4%	2.8%	2.1%	49.6%
	46-55	47.4%	2.8%	4.5%	45.4%
	56-65	49.4%	1.6%	3.0%	45.9%
	65+	16.0%	6.4%	9.6%	68.0%
CURRENT PERSONAL INSURANCE COVERAGE	Have an individual plan	69.4%	0.1%	0.1%	30.4%
	Covered under spouse or through other means	1.6%	7.8%	15.4%	75.1%
	Not covered	0.0%	7.7%	3.5%	88.8%
GEOGRAPHIC REGION	Northeast	51.8%	1.4%	4.2%	42.6%
	South Atlantic	44.2%	4.5%	2.3%	49.0%
	South Central	41.6%	3.5%	4.0%	50.8%
	North Central	45.1%	1.4%	2.9%	50.6%
	Mountain	50.1%	2.6%	3.8%	43.5%
	Pacific	48.9%	3.0%	3.2%	44.9%

Leading Barriers

Cost remains the leading barrier to obtaining health insurance through the business, cited by nearly 80% as an important barrier, and by 65.3% as their single most significant barrier. This correlates well with the 2005 data, where 61.8% identified the cost to the business as their leading barrier. The most significant shift is a decline in the number who say they are not interested in offering health insurance or do not feel it is necessary to offer. Only 6% identify this as their primary barrier in 2008 versus 18.2% in 2005.

As in the past, while issues such as a lack of providers, paperwork/administrative difficulties, and not knowing where to find health insurance are contributing factors, they rank far below cost when it comes to the primary roadblock to acquiring health insurance.

EXHIBIT 13 Barriers To Offering Health Insurance

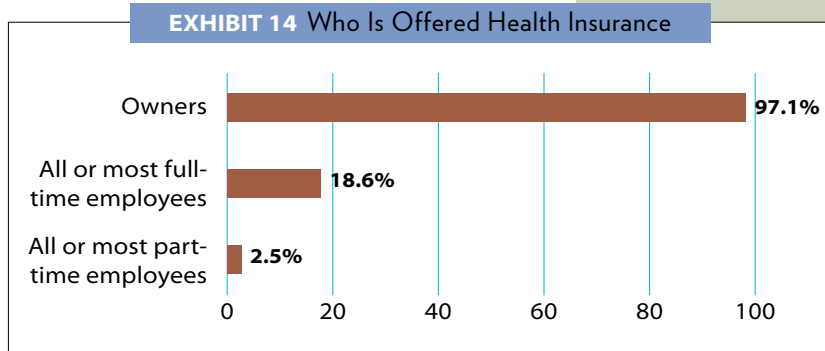
	2008 SURVEY		2005 SURVEY
	ALL IMPORTANT BARRIERS	SINGLE MOST SIGNIFICANT BARRIER	SINGLE MOST SIGNIFICANT BARRIER
The cost to my business	79.8%	65.3%	61.8%
Not interested in offering or do not feel it is necessary to offer	15.1%	6.0%	18.2%
The cost to my employees	33.4%	5.1%	7.1%
A lack of providers	25.5%	4.3%	5.5%
Do not know where to find health insurance coverage	13.4%	1.9%	2.9%
Difficulties in dealing with paperwork/ administrative tasks	19.6%	1.7%	1.1%
Other*	8.6%	8.5%	1.1%
No response	0.9%	7.2%	2.4%

*The "other" reasons consist of a variety of issues, the most prevalent being an inability to obtain insurance due to pre-existing conditions and an inability to find a policy that offers acceptable coverage levels. NOTE: The response base consists of the individuals who do NOT presently offer any form of health insurance through their business (2,113 for 2008 and 380 for 2005).

For the remainder of this section, all responses are based upon the 1,861 individuals who offer health insurance through their business.

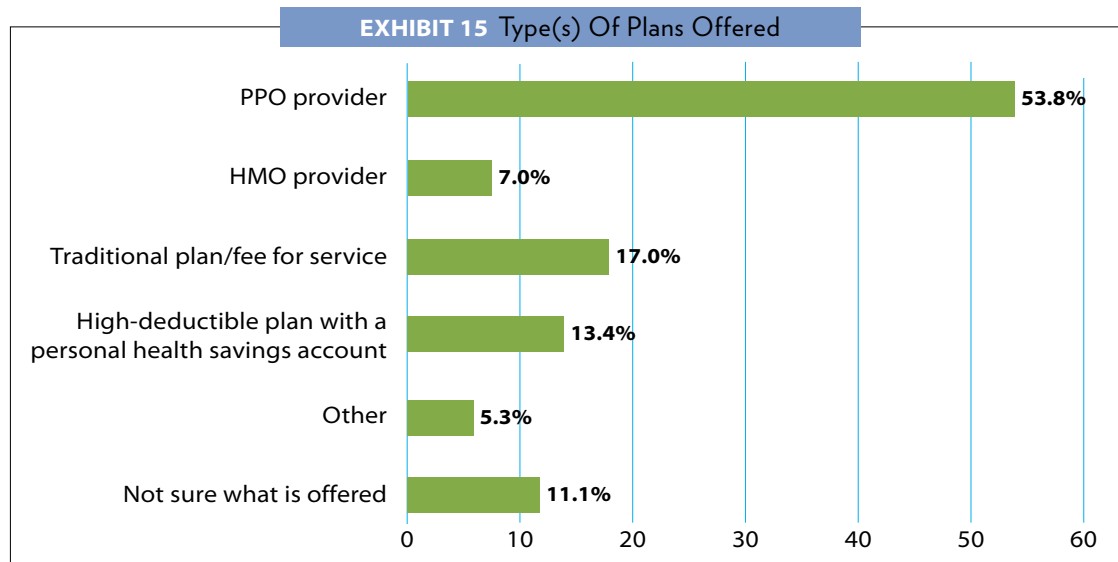
Who Is Offered Insurance

The business owner is the one most likely to be covered under a health insurance plan through the business. As summarized in Exhibit 14, 97.1% of those who offer a plan through their business cover the owner, virtually the same as seen in the 2005 survey. Coverage patterns for employees have changed, however. The percentage whose plan covers all or some of the full-time employees drops significantly, from 46.2% to 18.6%. As in 2005, very few (2.5%) cover part-time employees.



Type(s) Of Plans Offered

A PPO provider is the most common type of health plan offered by a significant margin, cited by 53.8% of those who provide a health plan through their business. A traditional plan/fee for service and a high deductible plan with a personal health savings account (HSA) are the next most common, cited by 17% and 13.4% respectively.



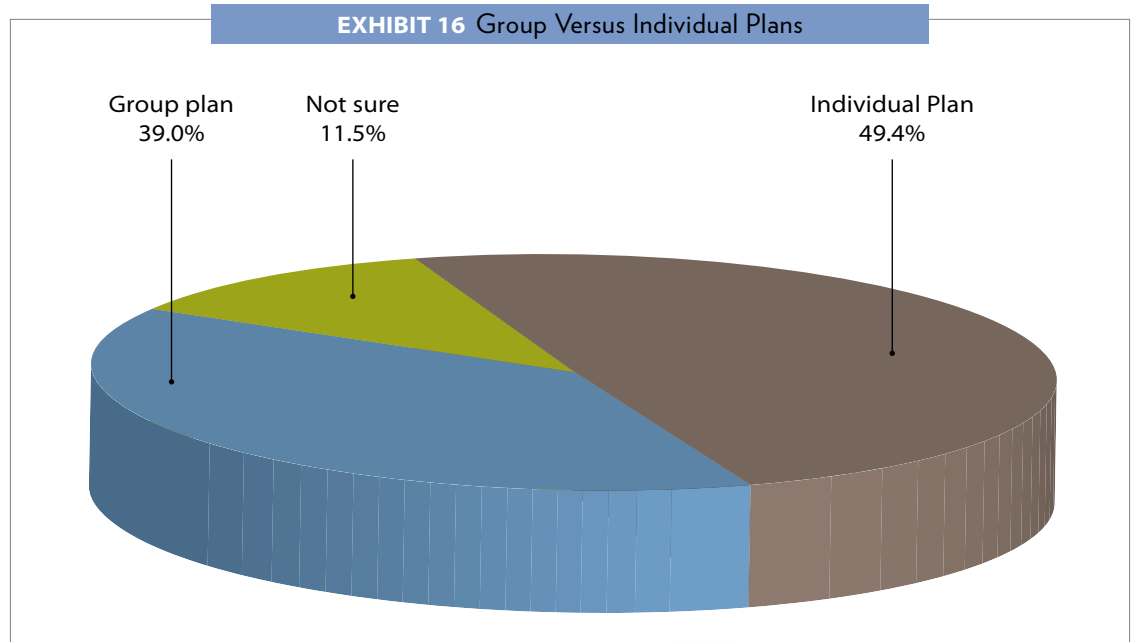
There have been some significant changes since 2005 in the types of health plans offered. While a PPO provider remains the most popular offering by a wide margin, the prevalence of an HMO provider has decreased substantially, dropping from 28.6% to 7%. There are more modest, but concurrent, increases in the popularity of high-deductible health plans with HSAs, with the prevalence of these plans more than doubling since 2005. The actual prevalence of high deductible HSA plans is probably higher—many of the “other” responses describe a high-deductible plan that would be compatible with an HSA, but the respondents note that they did not fund the HSA.

Spouse/Dependent Coverage

The prevalence of spouse and dependent coverage is unchanged since 2005, with most (62.6%) of the plans offering either spouse coverage, or spouse and dependent coverage.

Group Versus Individual Plan

Individual plans are the most common plan type, cited by nearly one-half of the respondents. As summarized in Exhibit 16, 39% are group plans, with a sizeable number (11.5%) unsure of their plan's status. This represents a fairly strong shift from the pattern seen in 2005, where group plans dominated with a 59.7% response. Group plans increase in prevalence among the larger companies, but surpass individual plans in popularity only among companies reporting gross revenue of \$500,000 or more.



Total Spent On Premiums

The respondents were asked to specify the total amount spent in 2007 on health insurance premiums. To facilitate survey completion, respondents could provide the information as either a percentage of their total 2007 revenue, or as a dollar figure (the actual amount spent on insurance). Most respondents (1,659) opted to provide the information as a dollar figure; only 360 provided the information as a percentage of their revenue (see Exhibit 17).

Examining the overall responses shows a wide range of health insurance expenditures. Dollar expenditures range from \$1,000 to \$60,000, with a median of \$5,520. A similar broad range is seen for the percentage-based data, with respondents reporting a median of 9.3% spent on health insurance.

While dollar values are informative, the most accurate way to explore expenditures is to examine values as a percentage of total revenue. This normalizes the data, and allows the data from the smallest companies to be accurately compared with data from the largest.

EXHIBIT 17 Total Spent On Health Insurance Premiums (Converted Data)

	10TH PERCENTILE	25TH PERCENTILE	50TH PERCENTILE (MEDIAN)	75TH PERCENTILE	90TH PERCENTILE	NUMBER OF RESPONSES
Amount spent as a percentage of gross 2004 sales	1.0%	2.0%	3.7%	5.9%	10.1%	211
Amount spent as a percentage of gross 2007 sales	1.3%	2.7%	5.5%	11.4%	25.0%	1,637

The results show a significant increase in the percentage spent on health insurance premiums since 2005, with median costs rising from 3.7% of total revenue to 5.5%. Increases are especially pronounced at the upper ranges with, for example, one in 10 of the 2008 respondents spending 25% or more of their gross revenue on health insurance. This value was only 10.1% in 2005.

Examining responses by segment shows that smaller companies are spending a significantly higher amount, in terms of a percentage of their total sales, on health insurance premiums. While the median dollar amount spent is only \$4,200 among the solo practitioners, this represents a median of 7.3% of their total sales. By contrast, those with six or more employees are spending a median of \$8,400, a median of only 2.5% of their total sales.

EXHIBIT 18 Total Spent On Health Insurance Premiums By Segment

		DOLLAR AMOUNT SPENT		AMOUNT AS A PERCENTAGE OF GROSS SALES	
		MEDIAN	NUMBER OF RESPONSES	MEDIAN	NUMBER OF RESPONSES
Overall—2005		\$9,468	197	3.7%	211
Overall—2008		\$5,520	1,659	5.5%	1,637
NUMBER OF EMPLOYEES	1 (self only)	\$4,200	740	7.3%	727
	2	\$6,000	555	6.0%	543
	3-5	\$6,300	265	3.1%	266
	6+	\$8,400	99	2.5%	101
GROSS SALES	Under \$50,000	\$4,000	411	17.6%	411
	\$50,000-\$99,999	\$5,000	370	7.4%	387
	\$100,000-\$199,999	\$6,000	358	4.3%	376
	\$200,000-\$499,999	\$6,600	287	2.4%	292
	\$500,000+	\$8,000	144	1.0%	155

The 2005 survey respondents reported spending a median of 3.7% of their total sales on health insurance. This increases to 5.5% among the 2008 survey respondents, a 48.6% increase. This increase is most strongly felt by the solo practitioners—they are spending 28.1% more of their total sales on health insurance compared than they were three years ago. Still, decreases are seen as well. The largest grossing companies are realizing the greatest drop in the percentage of their sales spent on health insurance, with the amount cut by more than one-half.

EXHIBIT 19 Health Insurance Spending Trends

		MEDIAN SPENT ON HEALTH INSURANCE AS A % OF 2004 SALES	MEDIAN SPENT ON HEALTH INSURANCE AS A % OF 2007 SALES	VARIATION
Overall		3.7%	5.5%	48.6%
NUMBER OF EMPLOYEES	1 (self only)	5.7%	7.3%	28.1%
	2	5.0%	6.0%	20.0%
	3-5	3.7%	3/1%	-16.9%
	6+	2.8%	2.5%	-9.1%
GROSS SALES	Under \$50,000	18.7%	17.6%	-5.7%
	\$50,000-\$99,999	5.5%	7.4%	34.5%
	\$100,000-\$199,999	4.8%	4.3%	-10.4%
	\$200,000-\$499,999	3.6%	2.4%	-33.3%
	\$500,000+	2.3%	1.0%	-56.5%

Changes In The Cost Of Premiums

More than three-quarters of the respondents report that their company has seen the cost of health insurance increase in the past 12 months. About 16.2% report no change, and a scant 1.3% report costs have decreased.

The average increase is 14.7%, slightly lower than the 20.7% reported in 2005. Also, the incidence of increases has declined a small amount—86.1% reported an increase in 2005 versus 76.4% in 2008. Still, increases are the norm across all segments, with the percentage reporting an increase never dropping below 71% (see Exhibit 20).

EXHIBIT 20 Changes In Premiums In The Past 12 Months By Segment

		PREMIUM HAS INCREASED		PREMIUM HAS DECREASED*	PREMIUM HAS REMAINED THE SAME	NOT SURE OF PREMIUM CHANGES
		% INDICATING AN INCREASE	AVERAGE INCREASE			
Overall—2005		86.1%	20.7%	1.7%	3.4%	8.8%
Overall—2008		76.4%	14.7%	1.3%	16.2%	6.1%
NUMBER OF EMPLOYEES	1 (self only)	74.5%	14.7%	1.7%	15.6%	8.2%
	2	78.1%	15.0%	1.0%	15.9%	5.0%
	3-5	77.7%	13.7%	1.6%	17.4%	3.3%
	6+	78.1%	14.9%	0.0%	18.4%	3.5%
GROSS SALES	Under \$50,000	71.5%	15.7%	1.7%	17.2%	9.6%
	\$50,000-\$99,999	75.6%	13.6%	1.2%	16.9%	6.3%
	\$100,000-\$199,999	79.5%	14.2%	1.3%	14.6%	4.6%
	\$200,000-\$499,999	81.9%	15.4%	1.0%	13.6%	3.6%
	\$500,000+	81.1%	14.5%	0.6%	18.2%	0.0%

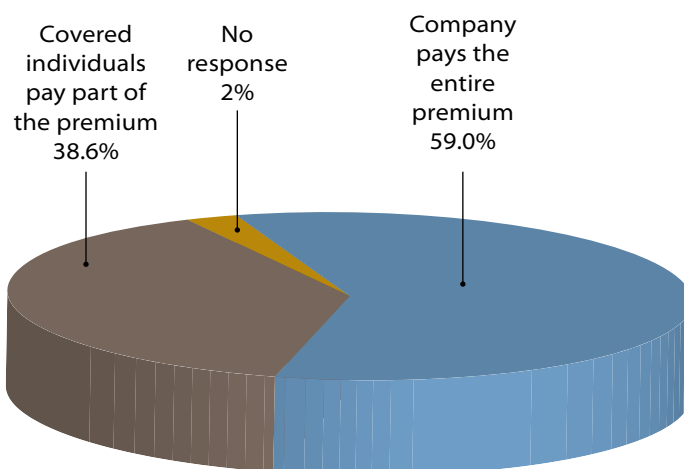
*Data on the amount of decrease was collected but, as only 23 respondents reported a decline in the 2008 survey, there is insufficient data for segmentation. The average overall decrease reported is 27%. NOTE: Responses are limited to the individuals who offer some type of health insurance plan through their business (1,861 for 2008 and 238 for 2005).

Employee Share Of Premiums

Most respondents (59%) say the company pays the entire premium for health insurance. As illustrated in Exhibit 21, most of the remaining respondents report that covered individuals are responsible for a part of the premium. The percentage paid by individuals ranges from 1% to 100%, with an average of 87.8%.

It is becoming more common for employees to not only be responsible for a share of their health insurance premium, but also be responsible for a larger proportion. Increases are especially seen in the portion of the premium employees have to pay, with the average amount increasing from 64.5% to 87.8%. As in 2005, the smallest companies (in terms of revenue) are most likely to implement a cost sharing approach and, of those who do, require the employees to pay a significant share of the cost.

EXHIBIT 21 Premium Cost Sharing



PART III: Health Insurance Coverage Through The Business

Satisfaction With The Plan

Respondents were asked to rate their satisfaction with key aspects of the current health plan offered through their business. Cost remains the chief complaint by a wide margin — 63.2% rate their satisfaction with the cost of premiums as “low,” and 62.6% assign the same rating to the overall affordability of the plan. Scores have decreased, however, regarding the number of coverage options (52.1% have low satisfaction) and ease of submitting claims/administrative paperwork (32.9% have low satisfaction). The respondents report their highest satisfaction with the quality of care provided, but satisfaction with this factor has also declined substantially since 2005, with the percentage rating their satisfaction as “high” declining to 35.9% from 61.8%.

EXHIBIT 22 Satisfaction With The Current Health Plan

	LOW SATISFACTION	MODERATE SATISFACTION	HIGH SATISFACTION	NO OPINION
Cost of premiums	63.2%	21.7%	14.3%	0.9%
Overall affordability of the plan	62.6%	21.2%	14.8%	1.4%
Number of coverage options available	52.1%	23.8%	21.0%	3.1%
Ease of submitting claims/administrative paperwork	32.9%	23.1%	32.1%	11.8%
Quality of care provided	31.7%	24.9%	35.9%	7.5%

NOTE: “Low satisfaction” are the percentage selecting either of the lowest two ranking points; “high satisfaction” are the percentage selecting either of the highest two ranking points; “moderate satisfaction” are the percentage selection the mid-point. Values in red bold denote the most popular response for each area.

PART IV: Health Care Perceptions And Preferences



PART IV: Health Care Perceptions And Preferences

With the impending 2008 elections, discussion surrounding health care reform has been prominent and is being pushed to the forefront as the number of uninsured rises annually along with the cost of health coverage.

The respondents were asked a series of questions to determine their perception on the current state of our health care system and potential reform options. We like to note that we took guidance from a September 2006 Kaiser Family Foundation-USA Today survey to assist us with survey question formulation for these topics.

Cost Drivers

Two issues rise to the forefront when the respondents identify the one factor they feel has the greatest impact on high health care costs. As summarized in Exhibit 23, “insurance companies making too much profit” and “doctors/hospitals charging too much for services” lead all other factors by a significant margin, selected by 28.8% and 21.7% respectively. The category of “medical malpractice lawsuits” is also relatively highly ranked, and the only other factor selected by greater than 10%.

EXHIBIT 23 Health Care Cost Drivers

Insurance companies making too much profit	28.8%
Doctors/Hospitals charging too much for services	21.7%
Medical malpractice lawsuits	13.2%
Other*	9.5%
Unhealthy lifestyles requiring people to need more care	7.1%
Prescription drug costs	4.6%
People getting tests and treatment they don't need	4.0%
The growing number of older Americans	3.3%
Use of costly new treatments and technology	1.9%
Not sure/no opinion	5.9%

*The “other” category is quite varied, with no single issue dominating the list. Popular themes addressed by the respondents include a combination of the other factors (i.e., “all of the above”), fraud, wasteful spending, government intervention/regulation, illegal immigration, the need to support the uninsured, and insurance company mismanagement.

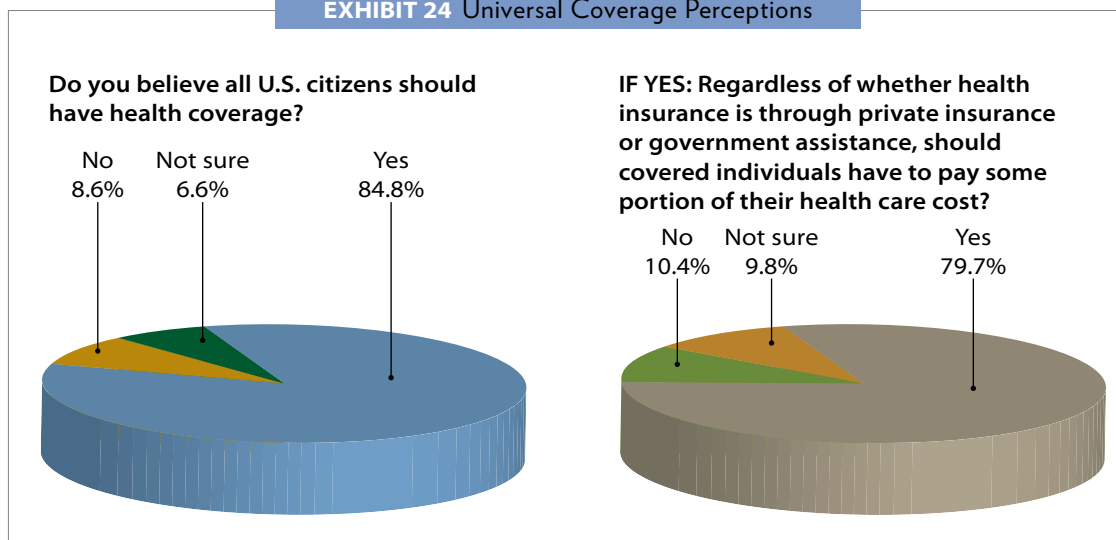
Responses are highly consistent across all segments—regardless of company size, the respondent’s age, their gender, or their insurance status. The top two factors are always “insurance companies making too much profit” and “doctors/hospitals charging too much for services.” “Medical malpractice lawsuits” is ranked a somewhat distant third across all segments as well.

Universal Coverage Perceptions

There is clear consensus regarding universal health care coverage, with most (84.8%) of the respondents agreeing that all U.S. citizens should have health coverage. Only 8.6% disagree, with the remaining 6.6% unsure.

The respondents are equally clear regarding the need for some degree of personal cost responsibility. Most (79.7%) of those who favor universal health care coverage feel the covered individuals should have to pay some portion of their health care costs, regardless of whether coverage is through private insurance or government assistance. About one in 10 disagree, and about the same number have no opinion (see Exhibit 24).

EXHIBIT 24 Universal Coverage Perceptions



Agreement levels regarding universal coverage remain at the 80%–plus range across all segments. Men are most likely to disagree—11.6% of men do not feel all U.S. citizens should have health coverage versus only 4.9% of the women.

Disagreement levels also raise a small amount among the larger companies and the youngest respondents. Responses are also highly consistent regarding personal cost responsibility, with agreement levels never dropping below 70% and often above 80%. Gender-based differences are again seen, with men more likely to support some level of personal cost responsibility than women.

More significant variations are seen based upon company size, with the smallest companies more than twice as likely as larger companies to say that covered individuals should not have to pay some portion of their health care costs.

PART IV: Health Care Perceptions And Preferences

Potential Effect Of Health Care Changes

The respondents were presented with a list of seven potential ways the present health care system could be changed and asked to rate each as to whether the change would make the current health care system better or worse.

The 2008 data closely tracks the 2005 data. The following three factors are top-ranked as to their potential positive impact on the present health care system:

- If I had more choice and influence over the benefits I could select in a health insurance policy.
- If I had access to more information on treatment options.
- If I knew the cost to my insurance company and to myself for each procedure, treatment or prescription beforehand.

A strong majority—at least 71.8%—feel these three changes would make the current health care system better. These three factors were also top-ranked in 2005.

A majority also throw their support behind having greater access to information on provider quality (such as doctor or hospital ratings) and the implementation of technology (such as electronic medical records, online referrals/scheduling, etc.) as ways the current health care system could be improved.

Opinion is somewhat mixed regarding direct pay options (where the patient pays the provider directly rather than have the insurance company pay and then bill the patient). While few (13%) feel it would make the system worse, about an equal number perceive it as having either a positive impact (39.7%) or no effect (36.6%).

Overall responses are summarized in Exhibit 25.

EXHIBIT 25 Potential Changes To The Health Care System

	YEAR	WOULD MAKE IT WORSE	NO CHANGE	WOULD MAKE IT BETTER	NO OPINION
If I had more choice and influence over the benefits I could select in a health insurance policy	2008	2.1%	20.3%	72.4%	5.1%
	2005	0.3%	14.7%	79.1%	5.8%
If I had access to more information on the quality of my health care providers, such as doctor or hospital ratings	2008	1.5%	32.3%	60.7%	5.5%
	2005	1.8%	29.0%	63.3%	6.0%
If I had access to more information on treatment options	2008	0.9%	21.8%	71.8%	5.5%
	2005	1.0%	22.3%	71.5%	5.2%
If technologies such as electronic medical records, on-line referrals/appointment scheduling, and electronic prescriptions were implemented	2008	6.5%	27.1%	58.4%	8.0%
	2005	9.2%	31.4%	51.3%	8.1%
If I knew the cost to my insurance company and to myself for each procedure, treatment or prescription beforehand	2008	1.5%	16.5%	76.8%	5.2%
	2005	2.8%	23.6%	67.8%	5.8%
If I were able to pay for my portion of my health care costs directly to the provider instead of having the insurance company pay and then bill me	2008	13.0%	36.6%	39.7%	10.7%
	2005	14.1%	29.0%	46.4%	10.5%
If the government more actively managed health care	2008	43.9%	10.6%	37.2%	8.4%
	2005	43.0%	14.9%	32.2%	9.9%

Values in red bold denote the most popular responses in for each area.

Most Preferred Health Care Option

The respondents were presented with three health care system structural options and asked to indicate the one they most preferred. As summarized in Exhibit 26, there is no clear “winner.” While a government-run universal system with every American required to purchase some type of coverage leads, it is by a very narrow margin (0.9%) over a universal health care system paid for through taxes. In turn, this option leads the current health care system by only 1.6%. In short, the three options tested are in a statistical three-way tie as the most preferred health care option.

Also, it is important to note that a significant number of respondents are either not sure (14.2%) or say their preference is “none of the above” (12.9%). Collectively, these individuals total to 27.1%, making “none of the above/unsure” the most popular response.

EXHIBIT 26 Most Preferred Health Care Option

The current health care system in which the majority of Americans obtain private health coverage through their employers or, if self-employed, purchase private coverage on their own in the individual and small group health insurance market.	22.9%
A government-run (universal) health care system in which the federal government negotiates price and benefit options with private insurance carriers. Individuals then select and pay for the coverage of their choice. Every American would be required to purchase some type of health coverage.	25.4%
A government-run (universal) health care system paid for through taxes, in which everyone is covered by a federal program similar to Medicare.	24.5%
None of the above	12.9%
Not sure/no opinion/no response	14.2%

Examining the responses across segments shows this same divided pattern, with the differences between options often less than 1%. Still, there are some segments that stand out with more defined preferences.

For example:

- Greatest support for the current health care system—those with gross sales of \$200,000 and above, those with three or more employees, and men.
- Greatest support for universal health care with required purchase—those under 36 and women.
- Greatest support for universal health care paid for through taxes—those with gross sales of \$50,000 or less and those not presently covered by an insurance plan.

Interestingly, the presence or absence of health insurance does not make a notable difference. While those lacking insurance lean more toward a universal system paid for through taxes, there is nearly equal support for all options within the current personal insurance coverage segment.

Responses are illustrated in Exhibit 27.

PART IV: Health Care Perceptions And Preferences

EXHIBIT 27 Most Preferred Health Care Option By Segment

		CURRENT HEALTH CARE SYSTEM	GOVERNMENT RUN (UNIVERSAL) WITH REQUIRED PURCHASE	GOVERNMENT RUN (UNIVERSAL) PAID THROUGH TAXES	NONE OF THESE	NOT SURE/ NO OPINION
Overall		22.9%	25.4%	24.5%	12.9%	14.2%
NUMBER OF EMPLOYEES	1 (self only)	21.9%	24.7%	25.8%	13.3%	14.3%
	2	22.4%	27.3%	25.2%	12.0%	13.0%
	3-5	25.7%	25.1%	20.8%	13.7%	14.8%
	6+	24.4%	23.3%	22.6%	12.5%	17.2%
GROSS SALES	Under \$50,000	18.1%	24.6%	29.9%	12.8%	14.5%
	\$50,000-\$99,999	20.9%	27.7%	26.9%	13.4%	11.2%
	\$100,000-\$199,999	25.0%	26.7%	25.1%	13.7%	9.5%
	\$200,000-\$499,999	31.5%	27.3%	18.5%	12.4%	10.2%
	\$500,000+	32.6%	26.8%	16.2%	13.2%	11.2%
GENDER	Female	16.8%	28.5%	25.9%	14.3%	14.6%
	Male	28.7%	24.3%	24.4%	12.5%	10.1%
AGE	Under 36	17.1%	32.1%	27.7%	11.0%	12.1%
	36-45	22.2%	27.9%	24.9%	12.6%	12.4%
	46-55	23.8%	24.0%	24.3%	15.0%	12.9%
	56-65	25.9%	26.1%	25.1%	12.2%	10.6%
	65+	14.4%	8.0%	14.4%	6.4%	56.8%
OFFER INSURANCE THROUGH THE BUSINESS	Yes	24.3%	25.3%	23.7%	12.5%	14.2%
	No	21.7%	25.6%	25.2%	13.3%	14.2%
CURRENT PERSONAL INSURANCE COVERAGE	Have an individual plan	22.2%	25.7%	24.3%	12.7%	15.1%
	Covered under spouse or through other means	25.5%	25.3%	22.7%	14.7%	11.8%
	Not covered	22.5%	24.4%	27.9%	11.6%	13.5%

Universal Health Coverage Concerns

Health care quality tops the list of concerns the respondents have regarding any type of government-run (universal) health care system. More than one-quarter select “the quality of my health care would not be as good” as their top concern, and a sizeable number (13.2%) select it as their second concern. Taxes are also a strong concern for many, with “I would have to pay higher taxes” the top concern of 17.8%, and the second concern of 13.8%.

To better spot trends, the top and second-ranked concerns are combined into a single category (called the “top two” concerns). As summarized in Exhibit 28, 39.3% cite quality concerns, and 31.6% cite tax concerns, with these two issues far outpacing all other concerns. Secondary issues include concerns regarding limited choice of doctors, and long waiting lists for non-emergency procedures. Fewer are concerned about long waiting lists to see specialists, higher premiums or lack of access (either for tests/treatments or medicines that are presently covered).

The “other” category is a popular choice for many and consists of a wide range of issues. The most popular themes are an all-encompassing view (i.e., “all of the above”) and concerns regarding the ability of the government to effectively run a health care system.

EXHIBIT 28 Top Concerns Regarding Any Government-Run (Universal) Health Care System

	TOP CONCERN	SECOND CONCERN	“TOP TWO” CONCERNS
The quality of my health care would not be as good	26.1%	13.2%	39.3%
I would have to pay higher taxes	17.8%	13.8%	31.6%
Other	11.2%	6.8%	18.1%
My choice of doctors would be limited	7.8%	8.3%	16.1%
There would be long waiting lists to undergo non-emergency procedures	6.0%	9.2%	15.2%
I would have to pay higher premiums	6.8%	5.2%	12.0%
I would have long waits to see specialists	5.6%	6.1%	11.7%
Various medical tests and treatments I have access to now would not be covered	2.6%	5.0%	7.6%
My current medicines would not be covered	0.5%	1.0%	1.5%
I have no concerns regarding government-run (universal) health care		6.4%	
Not sure/no opinion	9.3%	25.0%	

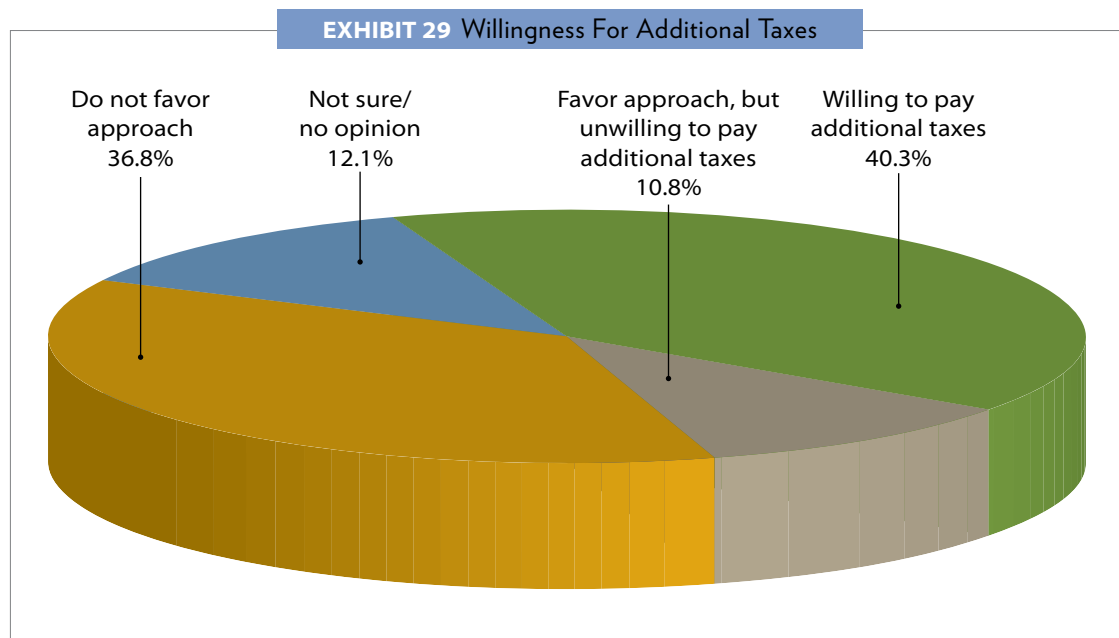
Segmenting responses shows that concerns regarding health care quality and higher taxes remain paramount across all segments. Concerns relating to these two issues are especially pronounced among those who favor the current health care system—54% are concerned about health care quality under a government-run universal care system, and 45.6% are concerned about higher taxes. The level of concern regarding these issues drops among those who favor a universal health care system, but is still clearly there—about one-quarter of those who favor a universal health care system that is paid for through taxes are concerned that the quality would not be as good, and that they would face higher taxes.

A limited choice of doctors, long waiting lists for non-emergency procedures, higher premiums, and long waits to see specialists are notable concerns across many segments. Again, even those who favor a universal health care system express these concerns at a rate generally equal to—and, in some cases, greater than—those who prefer the current health care system.

Examining responses across segments shows a strong majority—typically greater than 80% - have a top concern regarding a universal health care system. The percentage without a concern is usually at or below 6%. Those favoring a universal health care system paid for through taxes are least likely to express a concern but, even among these individuals, 72.4% have a top concern.

Willingness To Pay Additional Taxes For Health Care

A significant number (40.3%) of the respondents are willing to pay additional taxes for a universal health care system that is paid for through taxes. As summarized in Exhibit 29, an additional 10.8% favor such a system, but are unwilling to see their tax bill increase to fund it. Just over one-third (36.8%) do not favor a tax-based universal health care system.



Most of those who are willing to pay additional taxes favor keeping the increase to 5% or less. But there are a few individuals willing to pay as much as 30% or more in increased taxes to fund a universal health care system. The average tax increase deemed acceptable is 7.3%.

EXHIBIT 30 Willingness For Increased Taxes For Health Care

Up to 5% more in taxes	20.2%
Between 6-9% more in taxes	9.2%
Between 10-14% more in taxes	7.1%
Between 15-19% more in taxes	1.6%
Between 20-24% more in taxes	1.2%
Between 25-29% more in taxes	0.5%
Over 30% more in taxes	0.4%
Average tax increase	7.3%
I favor this approach, but am not willing to pay more taxes for it	10.8%
I do not favor this approach	36.8%
Not sure/no opinion	12.1%

Responses remain generally consistent across most segments, with roughly 40% of the respondents willing to pay an average tax increase of about 7.5% for a universal health care system. The strongest deviations are, as expected, based upon how the respondents perceive universal care. Those not in favor of this type of health care system are highly resistant to a tax increase. Still, even among these individuals, 9.8% are willing to pay increased taxes.

The greatest willingness to pay increased taxes is among those who favor a tax-paid universal health care system, with 71% willing to pay an average tax increase of 8%. A notable number of these individuals (14.3%) say that while they support such a system, they are not willing to see their tax liability increase. A small number (2.8%) changed their mind—while they stated in a previous question that they favor a tax-paid universal health care system, when faced with the issue of increased taxes, they “changed their vote” and indicated they no longer favor such a universal health care system.

PART IV: Health Care Perceptions And Preferences

EXHIBIT 31 Willingness For Increased Taxes For Health Care By Segment

		WILLING TO PAY INCREASED TAXES	AVERAGE* INCREASE WILLING TO PAY	FAVOR APPROACH, BUT NOT WILLING TO PAY INCREASED TAXES	DO NOT FAVOR THIS APPROACH	NOT SURE/ NO OPINION
Overall		40.3%	7.3%	10.8%	36.8%	12.1%
NUMBER OF EMPLOYEES	1 (self only)	42.7%	7.5%	10.4%	35.5%	11.3%
	2	41.1%	7.5%	11.1%	36.4%	11.4%
	3-5	34.0%	6.7%	11.0%	41.1%	13.8%
	6+	37.3%	6.6%	11.5%	35.8%	15.4%
GROSS SALES	Under \$50,000	46.6%	7.4%	10.9%	32.5%	10.0%
	\$50,000-\$99,999	45.7%	7.8%	10.9%	34.0%	9.4%
	\$100,000-\$199,999	38.1%	7.3%	11.3%	41.2%	9.4%
	\$200,000-\$499,999	35.9%	6.5%	9.7%	45.6%	8.7%
	\$500,000+	36.8%	7.3%	10.6%	44.4%	8.2%
GENDER	Female	43.2%	7.5%	12.1%	33.0%	11.7%
	Male	40.2%	7.3%	10.0%	41.6%	8.2%
AGE	Under 36	47.7%	7.7%	11.3%	29.5%	11.6%
	36-45	40.2%	7.1%	14.5%	35.6%	9.7%
	46-55	40.7%	7.3%	10.5%	39.0%	9.8%
	56-65	41.9%	7.6%	8.9%	40.8%	8.3%
OFFER INSURANCE THROUGH THE BUSINESS	Yes	39.5%	7.7%	11.1%	38.5%	10.9%
	No	41.0%	7.1%	10.6%	35.3%	13.2%
CURRENT PERSONAL INSURANCE COVERAGE	Have an individual plan	40.2%	7.6%	11.2%	36.2%	12.4%
	Covered under spouse or through other means	38.9%	6.9%	10.3%	40.9%	9.9%
	Not covered	42.4%	6.8%	9.7%	34.1%	13.9%
PREFERRED HEALTH CARE SYSTEM	Current system	9.8%	6.1%	2.2%	85.5%	2.5%
	Universal with mandated purchase	56.9%	7.0%	17.6%	17.3%	8.1%
	Universal paid through taxes	71.0%	8.0%	14.3%	2.8%	11.9%
	None of the above/ not sure	22.8%	6.7%	8.5%	44.6%	24.1%

*Average computed from range midpoints.

Suggested Government Actions

The respondents were presented with a list of nine potential actions the federal government could take and asked to indicate their level of agreement/disagreement with each. Majority-level approval is seen for the following four potential government actions:

- Allow small businesses to group together via associations or organizations to purchase health insurance.
- Encourage businesses and the self-employed to purchase health insurance for themselves and their employees by providing them with tax credits.
- Reform the tax treatment of health coverage so that regardless of whether you purchase health insurance on your own or access it through an employer you receive the same tax benefits.
- Increase regulation on health insurance, pharmaceuticals and hospitals.

The respondents particularly favor allowing small businesses to group together to purchase health insurance, with 83.3% agreeing that this should be an action taken by the federal government. Tax credits are also stressed, with nearly 72% agreeing that a prime way to encourage the purchase of health insurance by the self-employed is to provide them with tax credits.

In addition to the four actions listed above, a near majority of the respondents feel the federal government should:

- Expand government programs to cover uninsured children and low-income individuals unable to afford coverage.
- Increase funding to and require all states to have high-risk pools that provide health coverage to individuals with high health care costs due to chronic or terminal illnesses.

Opinion is divided concerning requiring health insurance carriers to provide insurance to all who apply regardless of their health status, even if it means increased premium costs for all. While 37.3% agree, a nearly equal number (31.8%) disagree.

Not all actions are favored for implementation. More disagree than agree that the federal government should:

- Mandate that all employers provide access to health insurance for full-time employees.
- Require all Americans to purchase health insurance.

Overall responses are summarized in Exhibit 32.

PART IV: Health Care Perceptions And Preferences

EXHIBIT 32 Suggested Federal Actions

	DISAGREE	NEUTRAL	AGREE	NO OPINION
Allow small businesses to group together via associations or organizations to purchase health insurance.	3.1%	6.6%	83.3%	7.0%
Encourage businesses and the self-employed to purchase health insurance for themselves and their employees by providing them with tax credits.	9.6%	12.2%	71.9%	6.3%
Reform the tax treatment of health coverage so that regardless of whether you purchase health insurance on your own or access it through an employer, you receive the same tax benefits.	8.8%	14.2%	68.3%	8.8%
Increase regulation on health insurance, pharmaceuticals and hospitals.	20.7%	17.0%	53.6%	8.7%
Expand government programs to cover uninsured children and low-income individuals unable to afford coverage.	27.1%	16.8%	49.6%	6.4%
Increase funding to and require all states to have high-risk pools that provide health coverage to individuals with high health care costs due to chronic or terminal illnesses.	17.2%	23.7%	48.0%	11.1%
Require health insurance carriers to provide health insurance to all those who apply regardless of their health status, even if it means increased premium costs for all.	31.8%	22.4%	37.3%	8.4%
Mandate that all employers provide access to health insurance for full-time employees.	42.7%	19.5%	29.8%	8.1%
Require all Americans to purchase health insurance.	38.7%	25.5%	25.7%	10.0%

Values in bold red denote the most popular response for each issue.

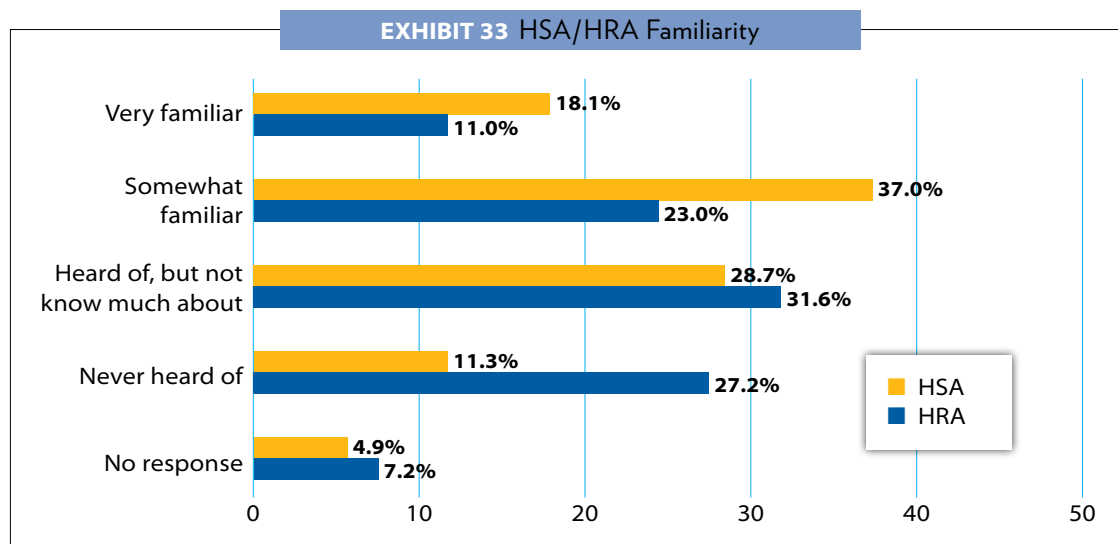
Examining responses across segments shows the following major patterns:

- **Allow small businesses to group together via associations or organizations to purchase health insurance**—This potential action garners the greatest support, with as many as nine out of 10 respondents agreeing. Support is uniformly high across all segments, with the percentage disagreeing usually remaining below 3%.
- **Encourage businesses and the self-employed to purchase health insurance for themselves and their employees by providing them with tax credits**—Strong support is seen for this potential action across all segments, with the percentage agreeing often at 75% or greater. Support is not, however, as strong as for allowing small businesses to group together, with the percentage disagreeing or remaining neutral often at 10% or greater.
- **Reform the tax treatment of health coverage so that regardless of whether you purchase health insurance on your own or access it through an employer, you receive the same tax benefits**—A majority in every segment support this government action. As with the preceding two actions, support is highly consistent with no marked deviation from the overall pattern of majority approval.
- **Increase regulation on health insurance, pharmaceuticals and hospitals**—Although far more in every segment agree than disagree with this potential action, there are several segments where the approval level dips below a majority level. Larger companies show less support for this action, as do those over 56. The strongest disapproval is seen among those who advocate retaining the current health care system, with 46.2% disagreeing that the government should bolster regulation.

- **Expand government programs to cover uninsured children and low-income individuals unable to afford coverage**—More agree than disagree in virtually every segment, but agreement levels are often below a majority level. Peak support is seen among the smallest companies, women and those favoring a universal health care system; the weakest support is among those who advocate retaining the current health care system.
- **Increase funding to and require all states to have high-risk pools that provide health coverage to individuals with high health care costs due to chronic or terminal illnesses**—Support is generally strong in many segments, especially the solo practitioners, the smaller companies and women. A significant number—usually about 23%—take a neutral stance on this scenario.
- **Require health insurance carriers to provide health insurance to all those who apply regardless of their health status, even if it means increased premium costs for all**—This scenario shows the greatest degree of “split opinion,” with only a small gap separating the percentage who agree from the percentage who disagree. Peak agreement levels are seen among the smaller companies, women and those who favor a universal health care system. Peak disagreement levels are seen among the larger companies, men and those who favor the current health care system.
- **Mandate that all employers provide access to health insurance for full-time employees**—Disagreement levels are strong in some segments, especially companies with six or more employees (61.3% disagree) and those with gross sales in excess of \$500,000 (62.9% disagree). There are some pockets of support, however—36.9% of the solo practitioners and 43.2% of those grossing \$50,000 or less are supportive of this scenario. As expected, elevated agreement levels are also seen among those who support the implementation of a universal health care system. But, even among these latter respondents, opinion is divided, with agreement levels barely exceeding disagreement levels.
- **Require all Americans to purchase health insurance**—With the exception of those who support a universal health care system with mandated policy purchase, more disagree than agree with this potential scenario. Disagreement levels are particularly strong among those who prefer the current health care system, with 56.7% disagreeing and only 17.8% agreeing. Across all segments, agreement levels rarely surpass 30%.

HSA/HRA Familiarity

The respondents were asked to indicate their level of familiarity with Health Savings Accounts (HSAs) and Health Reimbursement Arrangements (HRAs). As summarized in Exhibit 33, familiarity levels are stronger for HSAs, with a majority (55.1%) reporting that they are at least somewhat familiar. In contrast, only 34% are at least somewhat familiar with HRAs, and a sizeable number (27.2%) have never heard of HRAs.



HSA familiarity levels have improved a small amount since 2005, with the percentage who consider themselves to be “very” familiar increasing from 16.2% to 18.1%, and the percentage who are “somewhat” familiar increasing from 31.7% to 37%.

Familiarity levels tend to increase as company size increases. Similar small increases are seen based upon age, with the older respondents more familiar. These variations, however, are modest, with familiarity levels generally strong across all segments (e.g., a majority of respondents, regardless of their segment, are at least “somewhat” familiar with HSAs).

Response patterns for HRAs are also highly consistent across all segments. While familiarity with HRAs fail to reach the level seen for HSAs, roughly one-third or more of the respondents in every segment are at least “somewhat” familiar with them. The lowest familiarity levels are seen among the youngest respondents, with 37.3% of those under 36 reporting that they have never heard of an HRA.

Survey Methodology And Instrument



Survey Methodology And Instrument

Methodology

To ensure the 2008 results could be accurately compared with past findings, the study used the same basic approach and methodology. In conducting the Health Coverage: A Micro-Business Perspective survey (2008), the NASE used two complementary sampling and survey distribution methods: conventional mail and online. The purpose of the dual survey distribution methods ensured that a thorough and accurate sample of micro-businesses was utilized.

The survey sample was drawn from the NASE Membership roster, and augmented with results from a random selection of micro-businesses throughout the U.S. The survey sample was limited to only those companies that satisfied the following criteria:

- have 10 or fewer employees
- the contact person is their company's owner or operator

The mailed sample was drawn from the subscription list of Entrepreneur Magazine. This list was the same source used in the 2005 survey, and consists of a broad spectrum of business types across the U.S. A total of 7,002 surveys were mailed via First Class U.S. Mail in January 2008. All surveys were mailed "blind"—no identifying information was imprinted/coded on the form, nor were the respondents asked to supply any direct identifying information as part of the survey. This level of confidentiality/anonymity is important to encourage frank and accurate responses, and is especially necessary when the topic concerns "personal" issues such as health care. All surveys were returned to an independent research firm for tabulation. As a response incentive, individuals completing the survey were invited to enter a drawing for a series of prizes offered by NASE. All drawing information was collected on a separate form, and this separation was maintained during processing to preserve respondent anonymity.

The online version of the survey was created using a commercial Web-based survey hosting service. NASE provided a link to the online instrument as part of its regular member newsletter distribution in January 2008, with click-through access to the survey form. The question wording in the online and mailed surveys was identical to ensure the two samples could be merged in the analysis. Changes were limited to formatting issues to take advantage of the different media, and the inclusion of one additional question in the online version that could not be included in the mailed version due to a lack of space. As with the mailed survey, the online data collection maintained strict respondent anonymity, with all raw data collected and processed by an independent research firm.



Survey Sample

Responses were screened to ensure all survey participants were their company's owner or operator, and that the company employed 10 or fewer individuals. Responses not adhering to these criteria were excluded, leaving a net useable sample of 3,974 responses (3,785 derived from the online survey, and 189 from the mailed survey).

One of the most important issues to examine in any survey research project is accuracy. In other words, is the response pool truly reflective of the overall population being investigated? The most common tools used to gauge survey accuracy are "margin of error" and the "confidence interval." These two indicators are closely related and together provide guidance as to how accurate and repeatable (i.e., valid) the data collected are.

The 3,974 responses collected and analyzed have an overall margin of sampling error of plus or minus 1.6% at a 95% confidence interval. This means that if this study were repeated 100 times, the overall results would be within 1.6% of the values listed in this report 95 times out of 100. This level of accuracy is significantly higher than is typically seen in opinion-based research projects such as this, where it is typical to strive for a margin of sampling error of plus or minus 3%.





NASE 2008 National Health Care Survey

I. Your Background

1. How many years has your business been in operation? _____ years
2. What level of ownership interest do you have in your business?
 - a. Sole owner/operator/proprietor
 - b. Co-owner/partner
 - c. No ownership interest in the business
3. How many employees, **including yourself and any family members**, does your business have? _____ employee(s)
4. How is your business organized?
 - a. Sole proprietorship
 - b. General Partnership
 - c. Limited Partnership
 - d. Limited Liability Partnership (LLP)
 - e. Limited Liability Company (LLC)
 - f. Corporation (Chapter C)
 - g. Corporation (Chapter S)
 - h. Other: _____
5. What were the gross sales for your business in 2007?
 - a. Less than \$10,000
 - b. \$10,000 - \$24,999
 - c. \$25,000 - \$49,999
 - d. \$50,000 - \$74,999
 - e. \$75,000 - \$99,999
 - f. \$100,000 - \$199,999
 - g. \$200,000 - \$299,999
 - h. \$300,000 - \$499,999
 - i. \$500,000 - \$749,999
 - j. \$750,000 - \$999,999
 - k. \$1 million - \$2.5 million
 - l. \$2.6 million - \$4.9 million
 - m. \$5 million +
6. In what state is your business located? _____
7. Please indicate your gender and age:

Gender: a. Female b. Male

Age: a. Under 25 c. 36-45 e. 56-65

b. 25-35 d. 46-55 f. 66+

II. Health Insurance Coverage

8. Do **YOU** presently have health insurance coverage?
 - a. I have health insurance coverage that is purchased through my business or on an individual basis
 - b. I have health insurance coverage under my spouse's health plan through his/her employer
 - c. I do not have health insurance coverage at present, but plan on acquiring it sometime in 2008
 - d. I do not have health insurance coverage and have no plans to acquire it in 2008
 - e. Other: _____

9. Please indicate your level of agreement or disagreement with the following statements:

	Strongly disagree		Neutral		Strongly agree	No opinion
a. I know exactly where to find health insurance coverage for myself and my employees	1	2	3	4	5	<input type="checkbox"/>
b. I have access to health insurance options that fit my company's needs	1	2	3	4	5	<input type="checkbox"/>
c. It is necessary to offer health insurance as a benefit to find and hire qualified people	1	2	3	4	5	<input type="checkbox"/>
d. I feel it is my responsibility as an employer to offer health insurance as an employee benefit	1	2	3	4	5	<input type="checkbox"/>
e. Small businesses have access to the same health insurance options as large businesses	1	2	3	4	5	<input type="checkbox"/>

10. Does your business presently offer any form of health insurance as a benefit for the owner or employees?

a. Yes, presently offer



GO TO question 11

b. No, but plan to offer in 2008
 c. No, but did offer in the past
 d. No

If your business DOES NOT offer health care insurance, please indicate what you feel are the top barriers to obtaining this benefit:

a. The cost to my business
 b. The cost to my employees
 c. A lack of providers
 d. Do not know where to find health insurance coverage
 e. Not interested in offering or do not feel it is necessary to offer
 f. Difficulties in dealing with paperwork/administrative tasks
 g. Other: _____

→→ Which of the above do you feel is the MOST SIGNIFICANT barrier? (circle ONE): **a b c d e f g**

GO TO question 19

11. Who is offered health insurance coverage in your business? (check all that apply)

a. Owner(s) c. All or most part-time employees
 b. All or most full-time employees d. Other: _____

12. What percentage of the people employed by your business (including yourself) are covered under a health plan offered by your business?

_____ % are covered by the health plan offered by my business

13. What type(s) of health plans are offered by your business? (check all that apply)

a. PPO provider d. High deductible plan with a personal health savings account
 b. HMO provider e. Other: _____
 c. Traditional plan/fee for service f. Not sure what is offered

14. Does your health plan(s) offer spouse/dependant health insurance coverage?

a. Offers spouse coverage b. Offers spouse and dependant coverage c. Neither d. Not sure

15. Is your health plan a: a. Group insurance plan b. Individual insurance plan c. Not sure

16. How much did your business spend in 2007 on health insurance premiums? You can provide this information as a percentage of total sales, or as the actual amount spent, whichever is easier for you.

Total amount spent in 2007 on health insurance premiums was :

_____ % of total 2007 revenue OR \$_____ (actual amount spent on premiums)

17. Do the covered individuals pay part of the health insurance premium for their coverage?

a. Yes, they pay _____% of the premium b. No, the company pays the entire premium

18. What change, if any, has your company seen in the cost of health insurance premiums in the past 12 months?

a. Cost has increased _____ % c. Cost has remained the same
 b. Cost has decreased _____ % d. Not sure of change

III. Health Insurance Preferences

19. Which of the following factors do you feel has the greatest impact on high health care costs? (select ONE only):

- a. The growing number of older Americans
- b. Doctors/Hospitals charging too much for services
- c. Medical malpractice laws suits
- d. Prescription drug costs
- e. Insurance companies making too much profit
- f. People getting tests and treatment they don't need
- g. Use of costly new treatments and technology
- h. Unhealthy lifestyles requiring people to need more care
- i. Other _____

20. Do you believe all U.S. citizens should have health coverage?

- a. Yes
- b. No
- c. Not sure/no opinion

IF YES: Regardless of whether health insurance is through private insurance or government assistance, should covered individuals have to pay some portion of their health care costs?

- a. Yes
- b. No
- c. Not sure/no opinion

21. Listed below are a variety of potential ways the present health care system could be changed. Rate each as to whether you feel it would make the present health care system worse or better:

	Would make it WORSE		No change		Would make it BETTER	No opinion
a. If I had more choice and influence over the benefits I could select in a health insurance policy	1	2	3	4	5	<input type="checkbox"/>
b. If I had access to more information on the quality of my health care providers, such as doctor or hospital ratings	1	2	3	4	5	<input type="checkbox"/>
c. If I had access to more information on treatment options	1	2	3	4	5	<input type="checkbox"/>
d. If technologies such as electronic medical records, on-line referrals/appointment scheduling, and electronic prescriptions were implemented	1	2	3	4	5	<input type="checkbox"/>
e. If I knew the cost to my insurance company and to myself for each procedure, treatment, or prescription beforehand	1	2	3	4	5	<input type="checkbox"/>
f. If I was able to pay for my portion of my health care costs directly to the provider instead of having the insurance company pay and then bill me	1	2	3	4	5	<input type="checkbox"/>
g. If the government more actively managed health care	1	2	3	4	5	<input type="checkbox"/>

22. Which of the following three health care options do you most prefer? (check only ONE)

- a. **The current health care system** in which the majority of Americans obtain private health coverage through their employers or, if self-employed, purchase private coverage on their own in the individual and small group health insurance market.
- b. **A government-run (universal) health care system** in which the federal government negotiates price and benefit options with private insurance carriers. Individuals then select and pay for the coverage of their choice. Every American would be required to purchase some type of health coverage.
- c. **A government-run (universal) health care system paid for through taxes**, in which everyone is covered by a federal program similar to Medicare.
- d. None of the above
- e. Not sure/no opinion

23. Please indicate your top two concerns regarding any type of government-run (universal) health care system:

- | | |
|--|---|
| A I would have to pay higher premiums | F My current medicines would not be covered |
| B I would have to pay higher taxes | G Various medical tests and treatments I have access to now would not be covered |
| C My choice of doctors would be limited | H The quality of my health care would not be as good |
| D I would have long waits to see specialists | I I have no concerns regarding government-run (universal) health care |
| E There would be long waiting lists to undergo non-emergency procedures | J Not sure/no opinion |

My TOP concern is: _____
My SECOND concern is: _____

24. At most, how much additional taxes would you be willing to pay for a government-run (universal) health care system that was paid for through taxes?

- | | |
|--|--|
| <input type="checkbox"/> a. Up to 5% more in taxes | <input type="checkbox"/> f. Between 25-29% more in taxes |
| <input type="checkbox"/> b. Between 6-9% more in taxes | <input type="checkbox"/> g. Over 30% more in taxes |
| <input type="checkbox"/> c. Between 10-14% more in taxes | <input type="checkbox"/> h. I favor this approach, but am not willing to pay more taxes for it |
| <input type="checkbox"/> d. Between 15-19% more in taxes | <input type="checkbox"/> i. I do not favor this approach |
| <input type="checkbox"/> e. Between 20%-24% more | <input type="checkbox"/> j. Not sure/no opinion |

25. Please indicate your level of agreement/disagreement with the following statements:

The Federal Government should...	Strongly DISAGREE		Neutral		Strongly AGREE	No opinion
a. Expand government programs to cover uninsured children and low-income individuals unable to afford coverage.	1	2	3	4	5	<input type="checkbox"/>
b. Encourage businesses and the self-employed to purchase health insurance for themselves and their employees by providing them with tax credits.	1	2	3	4	5	<input type="checkbox"/>
c. Reform the tax treatment of health coverage so that regardless of whether you purchase health insurance on your own or access it through an employer you receive the same tax benefits.	1	2	3	4	5	<input type="checkbox"/>
d. Allow small businesses to group together via associations or organizations to purchase health insurance.	1	2	3	4	5	<input type="checkbox"/>
e. Require all Americans to purchase health insurance.	1	2	3	4	5	<input type="checkbox"/>
f. Mandate that all employers provide access to health insurance for full-time employees.	1	2	3	4	5	<input type="checkbox"/>
g. Increase funding to and require all states to have high risk pools which provide health coverage to individuals with high health care costs due to chronic or terminal illnesses.	1	2	3	4	5	<input type="checkbox"/>
h. Require health insurance carriers to provide health insurance to all those who apply regardless of their health status, even if it means increased premium costs for all.	1	2	3	4	5	<input type="checkbox"/>
i. Increase regulation on health insurance, pharmaceuticals and hospitals.	1	2	3	4	5	<input type="checkbox"/>

26. Please indicate your familiarity level with the following:

	Very familiar	Somewhat familiar	Heard of, but don't know much about	Never heard of
a. Health Savings Accounts (HSAs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Health Reimbursement Accounts (HRAs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

27. Any additional comments you would like to share on any of the topics raised in this survey would be appreciated:

**Thank you! Please return your survey by XXXXXXXXXXXX to:
AWP Research • 898 Broad Oaks • Herndon, VA 20170
Don't forget to include your entry for the prize drawing!**

Survey Methodology And Instrument

Limitations

The information and observations presented in this report are based strictly upon the results of the Health Coverage: A Micro-Business Perspective survey (2008), and must be interpreted in light of overall NASE initiatives and other data/information held by the association. Bear in mind that market research provides a “snapshot” of a particular group of individuals at a particular point in time. This study uses several techniques to ensure valid and accurate representation of the target population. However, no single research effort, regardless of the methodologies employed, can provide definitive answers to all potential research intentions. The complexity and diversity of the micro-business community, as well as the multi-dimensional aspects of health insurance, supports ongoing research and monitoring of selected topics, especially where there is no clear consensus of opinion. Also, and perhaps more important, respondents’ opinions are not static, but are affected by a variety of forces and issues—put simply, people often change their opinions over time.

These limitations are stated to ensure that the results presented herein are not misused or misinterpreted.

For more information on the NASE or its policy positions, please contact the legislative office at 202-466-2100. Or visit the NASE online at www.NASE.org.



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