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NEW DATA SHOW NATION’S SMALLEST BUSINESSES BATTLING HIGH HEALTH CARE COSTS DESPITE SOME IMPROVEMENTS SINCE ‘05
-- Fewer Companies Offering Insurance for Employees, More Feeling An Impact on Bottom Line --

Washington, DC, June 16, 2008 – The National Association for the Self-Employed (NASE) today released data from the only national survey to measure the impact of rising healthcare costs on micro-businesses and the self-employed. The survey of nearly 4,000 micro-businesses, a follow-up to research conducted in 2005, shows that high cost continues to be the most significant barrier to offering health insurance and that small businesses strongly feel they are at a disadvantage compared to their larger counterparts when it comes to access to coverage.

“While we do see some encouraging data this year, the fact remains that access to health care is the most significant issue facing this country’s smallest businesses,” said Kristie Darien, Executive Director of the NASE. “The baker, the house painter, and the 20 million other micro-businesses in the United States already are struggling to survive in this economy. These businesses could be further threatened if we cannot find a way to make insurance more affordable.”

Numbering over 24 million, micro-businesses often are cited as the drivers of America’s economic engine, creating well over a third of all new jobs. The data collected in the NASE survey were segmented to explore key differences among respondents, including number of employees and total 2007 gross sales, both critical factors in determining the impact of rising health care costs on a business.

Survey Highlights – Coverage

- About two-thirds (67%) of respondents say they have personal health insurance coverage, a notable increase from the 54.9% who reported the same in 2005. (p. 10)

- Of the more than 46% of responding businesses offering health insurance (p. 15), only 18.6% offer coverage for full-time employees. That is a significant decline from 2005, when 46.2% reported covering full-time employees. (p. 17)

- In a surprising shift, the percentage of responding businesses whose plans cover full-time employees dropped significantly from 46.2% in 2005 to 18.6% in 2008. (p. 17)

- Companies with gross sales under $50,000 experienced the greatest increase in access to health care coverage – 40% presently offer insurance compared to only 13.8% in 2005. (p. 15)

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Survey Highlights – Cost

- More than 65% cite cost as the single most significant barrier to offering health insurance to employees. (p. 16)

- 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%. (p. 19)

- One in 10 of the 2008 respondents spend 25% or more of their gross revenue on health insurance, compared to 10.1% in 2005, representing a 48.6% increase. (p. 19)

- Overall, costs have increased an average of 14.7%, compared to a 20.7% increase in 2005. (p. 21)

- Two issues respondents feel have the greatest impact on high health care costs are “insurance companies making too much profit” (28.8%) and “doctors/hospitals charging too much for services” (21.7%). (p. 24)

The survey also shows that small businesses with the least end up paying the most in terms of health insurance costs. Micro-businesses grossing less than $50,000 annually spend a median of 17.6% of their gross 2007 sales on health insurance, compared to a median of only 1% spent annually by companies generating more than $500,000 annually.

While most respondents (59%) say the company pays the entire premium for health insurance, it is becoming more common for employees to not only be responsible for a share of their premium, but also pay a larger proportion. The average amount of the premium employees have to pay increased to 87% in 2008 compared to 64.5% in 2005. As reported in the previous survey, the smallest companies (in terms of revenue) are most likely to implement a cost sharing approach.

More than 1,300 survey respondents offered additional comments on the issue of access to health insurance and other issues that impact the health care environment. Following is a sample of those comments:

*Access to healthcare is the single biggest issue facing the self-employed and the single biggest barrier to people joining and remaining in the ranks of the self-employed.*

*Both my spouse and I work for our business and we’ve come to the point where one is going to have to be employed with an outside company to gain affordable health care coverage. And the coverage we can afford is inadequate and we do not go for annual physicals ever because we cannot afford them!*
Health care for our family of 5 and self-employment taxes are the two biggest stumbling blocks for our business financially. We struggle financially as individuals because of the huge bite these two things take out of our income.

I think small businesses subsidize the lower cost of health insurance for corporations by our higher premiums and higher tax assessment. We bear the brunt of the economy and feel the pinch more deeply. It is an unfair burden.

I believe that there should be universal health care. Most small businesses can’t afford to provide health care, Social Security co-pays and unemployment insurance. These expenses are the reason the small business is becoming extinct.

For complete survey results or to obtain a copy of the NASE survey report, please contact Lori Russo at 202-223-4933, lrusso@stantoncomm.com

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About the NASE

The National Association for the Self-Employed (NASE) is the nation’s leading resource for the self-employed and micro-businesses, bringing a broad range of benefits to help entrepreneurs succeed and to drive the continued growth of this vital segment of the American economy. The NASE is a 501(c) (6) non-profit organization and provides big-business advantages to hundreds of thousands of micro-businesses across the United States. For more information, visit the association’s web site at www.NASE.org.