

## Senate's healthcare repeal bill will harm small business

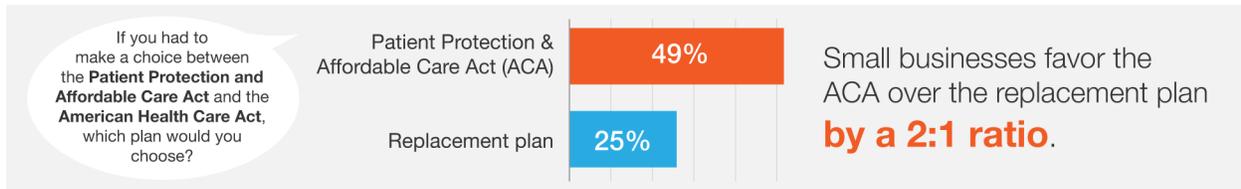
Over the past four years, the Patient Protection and Affordable Care Act (ACA) has provided healthcare to more than 20 million individuals who otherwise couldn't access coverage, millions of whom are small business owners, self-employed entrepreneurs or work for small employers. While we believe certain provisions of the ACA can and should be improved, repealing the healthcare law will eradicate hard-won benefits for America's entrepreneurs, cause a rapid rise in healthcare costs and create tremendous economic instability. Indeed, our polling found small businesses nationwide prefer the ACA over Republicans' replacement plan by 2:1. Below are key provisions from the Senate's plan to repeal and replace the ACA, known as the Better Care Reconciliation Act (BCRA) that would have a detrimental impact on small business owners, their employees and self-employed entrepreneurs.

### Provisions in the BCRA that impact small business

- **Reduces subsidies that help many entrepreneurs and small business employees access health insurance.** The BCRA will make it harder for many small business owners, self-employed entrepreneurs and small business employees to continue accessing affordable coverage by increasing average premiums and repealing cost sharing subsidies.
- **Limits protections for people with pre-existing conditions.** The bill would allow states to opt out of many of the ACA's provisions, including the requirement that plans include essential health benefits and limits on annual out-of-pocket costs. This means consumers, especially those with pre-existing conditions, will be charged more for less coverage, if they can even afford it at all. This will greatly impact small employers and self-employed entrepreneurs who finally found the security they needed under the ACA to launch their own businesses.
- **Ends Medicaid expansion, which covers many small business employees.** The BCRA would establish a seven-year phase-out of the ACA's expansion of Medicaid, which was implemented in 31 states and Washington, D.C. Medicaid expansion was crucial to helping low-wage small business employees and self-employed entrepreneurs access coverage they otherwise wouldn't be able to afford. Additionally, the bill goes beyond slashing funding for the expansion of Medicaid by capping federal payments to the states, which would impact most Americans who benefit from the program and make it even more difficult for low-wage small business employees to access healthcare.
- **Penalizes small employers who employ older workers by charging those employers up to five times more for their employees' health coverage.** The Affordable Care Act put limits in place for how much more insurers can charge older Americans, but the Senate's replacement plan would raise that cap and allow insurers to charge up to 500% more for older employees than younger workers.
- **Eliminates the small business tax credit.** The BCRA would eliminate the small business tax credit after 2019, which helps small businesses offer health insurance to their employees. This is the one tax credit in the ACA that is designed to help small businesses. Meanwhile, the BCRA will simultaneously cut taxes for wealthy Americans.
- **Allows trade associations to establish multi-state group plans under the guise of helping small businesses.** The bill would allow for association health plans, which would weaken the small group market and cause premiums to skyrocket for small firms. This provision would also supersede state laws that have been implemented in many states to protect their small group markets.

## Scientific opinion poll: Small businesses overwhelmingly support the ACA over the replacement plan

Scientific opinion polling shows small business owners overwhelmingly support the ACA over the Republican plan to repeal the healthcare law. A national poll conducted March 17-20, 2017 for Small Business Majority by Chesapeake Beach Consulting found that **small businesses favor the ACA over the House’s version of the replacement plan by a 2:1 margin.**<sup>i</sup>



Additionally, more than half of small businesses (52%) support the Affordable Care Act. After learning more about specific provisions of the ACA, however, **total support grows to nearly 60%.**

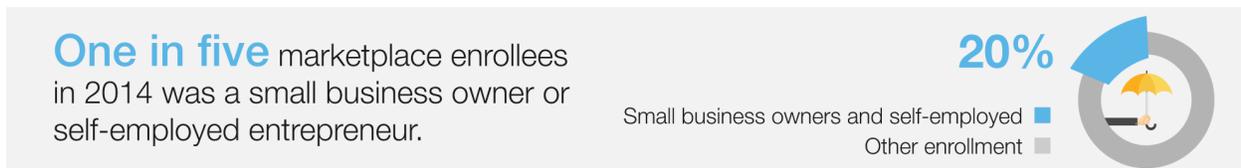
### How the ACA has helped small business

Prior to the ACA, **small businesses and their employees comprised a disproportionate share of the working uninsured.** In fact, 28% of the country’s 22 million self-employed were uninsured in 2011.<sup>ii</sup>

However, a recent analysis found that the number of uninsured small business employees (those working at firms with fewer than 50 workers) dropped by more than four million between 2013 and 2015 and their uninsured rate fell from 27.4% to 19.6%.<sup>iii</sup> And a study conducted by the Kaiser Family Foundation in 2016 found 31% of non-group health insurance enrollees were self-employed, showing the ACA is helping that segment as well.<sup>iv</sup>



What’s more, a recent report released by the U.S. Treasury Department revealed that in 2014, **1 in 5 people who purchased healthcare through an ACA marketplace was a small business owner, self-employed or both.** Small businesses and self-employed entrepreneurs were nearly three times more likely to purchase marketplace coverage than other workers.<sup>v</sup>



### Cost containment

Thanks to the healthcare law’s cost-containment provisions, **premiums are stabilizing for many small firms.** Prior to the ACA, small businesses paid 18% more on average for health coverage than large companies and usually received fewer comprehensive benefits.<sup>vi</sup> And Small Business Majority’s opinion polling found that prior to the ACA, 70% of small firms that didn’t offer coverage said it was because they couldn’t afford it.<sup>vii</sup>



**We're now seeing much smaller increases in the small group market compared to pre-ACA, where double-digit increases were often the norm.** A report from the Centers for Medicare and Medicaid Services found that from 2008-2010, the average annual increase in the small group market was 10.4%; from 2011-2015, the rate dropped by half to 5.2%.<sup>viii</sup>



## Pre-existing conditions, job lock

Many self-employed Americans found it hard to find insurance because of pre-existing conditions. In fact, **before the ACA it was so difficult for the self-employed to purchase health insurance that nearly 30% of solo entrepreneurs were uninsured—a rate more than double that of the general population.** However, the ACA bans insurers from denying coverage based on pre-existing conditions or charging more based on health status or gender, making obtaining affordable insurance a reality for millions of entrepreneurs.

The ACA has also eliminated “job lock,” allowing workers who previously felt tied to their job by their benefits package to seek out their own entrepreneurial path or join thriving small businesses. The Robert Wood Johnson Foundation found 1.5 million would launch their own business thanks to the ACA, which would essentially eliminate job lock for prospective entrepreneurs.<sup>ix</sup>

**1.5 million** would launch their own business because of the **Affordable Care Act.**



## Medicaid expansion

In addition to the financial support that helps entrepreneurs and small business employees purchase medical insurance in competitive markets, the law has enabled most states to expand their Medicaid programs, **allowing the lowest-income small business employees and business owners to obtain health coverage.**

States that expanded Medicaid have experienced lower uninsured rates, a reduction in uncompensated care costs and economic growth. For example, in California, Medicaid expansion not only infused \$16 billion into the state’s economy; it also provided coverage for millions of low-wage small business employees.<sup>x</sup>

- i Small Business Majority, March 2017, <http://www.smallbusinessmajority.org/our-research/healthcare/small-businesses-support-aca-over-replacement-plan>
- ii Employee Benefit Research Institute, September 2012, [https://www.ebri.org/pdf/briefspdf/ebri\\_ib\\_09-2012\\_no376\\_sources.pdf](https://www.ebri.org/pdf/briefspdf/ebri_ib_09-2012_no376_sources.pdf)
- iii Center on Budget and Policy Priorities, January 2017, <http://www.cbpp.org/blog/health-coverage-gains-for-small-business-workers-at-risk>
- iv Kaiser Family Foundation, May 2016, <http://kff.org/health-reform/poll-finding/survey-of-non-group-health-insurance-enrollees-wave-3/>
- v U.S. Department of the Treasury, January 2017, <https://www.treasury.gov/connect/blog/Pages/One-in-Five-2014-Marketplace-Consumers-was-a-Small-Business-Owner-or-Self-Employed.aspx>
- vi Congressional Research Service, January 2015, <https://fas.org/sgp/crs/misc/R43181.pdf>
- vii Small Business Majority, June 2012, <http://www.smallbusinessmajority.org/our-research/healthcare/small-business-owners'-views-implementing-affordable-care-act>
- viii U.S. Department of Health & Human Services, January 2017, <https://www.hhs.gov/about/budget/fy2017/budget-in-brief/cms/private-insurance-programs/index.html>
- ix Robert Wood Johnson Foundation, May 2013, <http://www.rwjf.org/en/library/research/2013/05/the-affordable-care-act--improving-incentives-for-entrepreneursh.html>
- x Health Access, December 2016, <http://www.familyvoicesofca.org/wp-content/uploads/2016/12/Medi-Cal-At-Risk.pdf>