



Report: The impact of Medicaid expansion on small business owners in Colorado

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Abstract

Issue: Many people eligible for Medicaid expansion following the passage of the Affordable Care Act work for small employers or are themselves small business owners or self-employed entrepreneurs. Despite enrollment gains, a significant number of Coloradans remain uninsured, many of whom work for or own a small business.

Goals: Develop a deeper understanding of the impact of Medicaid expansion among small business owners and entrepreneurs in Colorado.

Methods: Three focus groups among diverse geographies in Colorado with about 4 to 6 small business owners per group.

Key Findings: Small business owners of higher-paying industries must offer private health insurance to compete with larger businesses for talent. For lower-wage industries, Medicaid fills a critical need for uninsured workers, and employers want information to help educate their employees about the program. Small business owners are open to policy-based solutions but have doubts about policymakers' ability to implement changes that are intended to help and actually work for small employers.

Conclusion: Healthcare affordability remains a critical concern for small business owners, and they are largely looking to the government for cost control and policy-based solutions. But the impact of Medicaid expansion is mixed. Some felt the current program created disincentives to growth, others thought it may be an opportunity to support their workers, while others had no interaction or with the program or believed it held relevance to their business or workforce.

Background

The passage of the Affordable Care Act (ACA) enabled states to expand Medicaid eligibility to a broader swath of people. Medicaid expansion raised the maximum income of which individuals could make to qualify for the state-administered programs, increasing access to workers and entrepreneurs who may have previously been unable to afford private insurance but who earned too much to qualify for Medicaid.

Small business owners, their employees, and self-employed entrepreneurs have benefited from the ACA and Medicaid expansion, as more than half of ACA marketplace enrollees across the nation own or work for a small business.¹ In states that expanded Medicaid, the percentage of small business employees covered by Medicaid increased from 9.1% to 13.4% from 2013 to 2016; the number of self-employed individuals covered rose from 7.3% to 11.6% during the same time.²

In 2014, Colorado was among the first states to expand Medicaid. Raising the maximum income cap for Medicaid-eligible residents cut the state's uninsured rate by nearly half between 2013 and 2015. The number of Coloradans without health insurance dropped from 14.3% to 6.7%.³ Since then, the uninsured rate has generally held at 6.5%.⁴

Colorado's private industry workforce is largely employed by small business owners. In Colorado, nearly 75% of private employers are small businesses, and fewer than 1 in 3 offer health insurance.⁵ In fact, the number of small businesses offering insurance to employees has declined from 2013 (30.7%) to 2018 (27.6%).⁶ Medicaid expansion has filled a gap for working Colorado adults whose income makes them eligible for Medicaid and whose employers don't offer health insurance. Of Colorado adults enrolled in Medicaid, 65% are employed.⁷

While the ACA and Medicaid expansion have helped small business owners and self-employed workers gain access to health coverage, the cost of private insurance and affordability of care remain a top concern among small business. Monthly premiums and annual deductibles can be a heavy burden, both for business growth and the health of their employees. Colorado has taken important steps to expand access and address affordability, yet thousands remain uninsured, including many entrepreneurs and small business employees.

In a recent survey, small business owners stated they believe that policymakers and elected leaders don't understand their unique needs, and they identified healthcare costs as a top barrier to business growth.⁸ During a series of three focus groups across the state of Colorado, we facilitated discussions with a variety of small business owners and self-employed workers to better understand their personal experiences that could inform policy conversations regarding Medicaid expansion, healthcare costs and coverage.

These roundtable discussions occurred while COVID-19 dramatically impacted business and local economies. While the pandemic's effect was often brought up by participants, this issue brief focuses on the broader impact of Medicaid expansion and of small business owners' experiences and observations about Medicaid expansion and health insurance.

¹ "Small Businesses See Significant Gains from ACA," Small Business Majority, Oct. 2018, <https://smallbusinessmajority.org/our-research/healthcare/small-businesses-see-significant-gains-aca>

² Small Business Majority

³ "ACA at 10 Years: Medicaid Expansion in Colorado," Jan. 2020, <https://www.coloradohealthinstitute.org/research/aca-ten-years-medicaid-expansion-colorado>

⁴ "Health First Colorado Expansion," Colorado Department of Health Care Policy and Financing, October 2020, https://www.colorado.gov/pacific/sites/default/files/Medicaid%20Expansion%20Overview_1.pdf

⁵ "ACA at 10 Years: Employer-Sponsored Insurance," Colorado Health Institute, Feb. 2020, <https://www.coloradohealthinstitute.org/research/aca-10-years-employer-sponsored-insurance>

⁶ Colorado Health Institute

⁷ "Medicaid in Colorado," Kaiser Family Foundation, Oct. 2019, <http://files.kff.org/attachment/fact-sheet-medicaid-state-CO>

⁸ "Small Business Owners Say Government Doesn't Understand Their Concerns, Need Help with Healthcare Costs and Other Challenges," Small Business Majority, Aug. 2019, <https://smallbusinessmajority.org/our-research/entrepreneurship-freelance-economy/small-business-owners-say-government-doesn-t-understand-their-concerns-need-help-healthcare-costs-and-other-challenges>

Key findings

Small business owners of higher-paying industries must offer private health insurance to compete with larger businesses for talent

Small business owners rely on a menu of benefits, including healthcare, to attract and retain top talent. Medicaid, they said, isn't an option for them or relevant to their employees. Yet, in offering employer-sponsored insurance to employees, they struggle to find plans that keep costs low and offer options.

Participants from a variety of industries, such as a law firm, construction remediation, and event planning, agreed that they need to compete with their larger business peers that are better resourced to provide robust benefits, but unlike those businesses, they don't get the same benefits or considerations. The cost to compete for attractive health plans to employees cuts deep into their cost of operating.

Despite the costs of private insurance, Medicaid doesn't meet their needs, and they believe it's not relevant to how they operate their business. They pay their employees too much to stay within the cap of eligibility, which is income at or below 138% of the poverty line.

This continues to be a challenge for small businesses with higher-paid employees who have been forced to make cuts as a result of the ongoing economic crisis caused by the coronavirus pandemic. The owner of an event planning company in Vail, whose business has been decimated by COVID-19, said she had to reduce her career staff, cutting off their healthcare coverage. She risks losing these long-term, career employees to other workplaces that can offer healthcare right now. They "can no longer hang on and wait for us to recover ... we are losing our team."

"(Healthcare is) challenging, but as the company grew, we got to the point where we had to get healthcare to attract talent. So, it's not affordable, but it's something as a business you have to endure and buck up that cost to attract talent."

Owner of an environmental remediation construction firm in Denver

For lower-wage industries, Medicaid fills a critical need

Data shows that Medicaid expansion has helped the working uninsured get covered. Out of the focus group attendees, two participants are owners of casual restaurants. While one has been open for decades, the other opened less than a year ago. Neither owner can afford to provide health insurance for hourly staff. Restaurants, they said, already operate on too-narrow a profit margin. Yet, many of their employees, they said, would likely qualify for Medicaid, thanks to expanded eligibility.

One restaurant owner said many of his staff are younger than 26 and likely on their parents' plans, but he doesn't know where or how employees are covered. "[Medicaid] may be something worthwhile to look into and share with my staff who might be eligible," said the owner, who provides employer-based insurance for two full-time managers but can't afford coverage for the rest of his nearly 20 employees. "I don't know how many would still be interested because so many are on better healthcare programs with their folks but if it can help one person, it's worthwhile."

"To be able to offer employees healthcare would be huge because that would be something helpful and legitimize the industry as more than just a job for the time-being. It would be nice, but it just doesn't happen."

Restaurant owner in Englewood

Among the suggestions were to provide more education and outreach to employers about Medicaid information that can be passed along to employees. Areas that employers said they wanted to know more about are eligibility requirements and understanding the federal poverty level.

The owner of the recently opened brewpub agreed that healthcare plans are too costly for them to offer. She's seen options for low-cost telehealth plans and is looking into those as potential options for employees. It's not much, she said, but it's a start.

In the meantime, she said she knows of employees who have enrolled in Medicaid. She's also heard them say Medicaid can offer services that private insurers don't.

"One of my employees mentioned that she was on Medicaid. She talked about how thankful she was that she was on it and that it was a real lifesaver, so I would like to actually understand more about it."

Owner of a brewpub in Broomfield

Small business owners are open to policy-based solutions but question the government's ability to help them

Among nearly all participants, a common theme appeared when asked about potential solutions from policymakers and elected leaders: They don't adequately listen to small business.

Small business owners and the self-employed are disillusioned and not confident in the government's ability to actually help their businesses.

In a recent survey, only 12% of small business owners said they feel their state and federal government officials understand the needs and challenges of small businesses like theirs "a lot."

"I don't understand how companies can get their hands on [health insurance and gap insurance], but it's so out of reach for us. Sometimes I really question why I'm doing childcare."

Self-employed childcare provider in Eaton

"There are so many companies like mine that could use something like [the public option], but I don't think the conversation will be held because [policymakers] don't understand the limitations of the small business market," said the owner of a consulting firm who reimburses each of her employees who purchase individual policies.

Businesses are not a monolith, and the needs of large-employee business are different than small business, they said. Government too often addresses the needs of business by focusing on what works best for larger employers.

Support of a public option comes with questions of taxes, provider choice

Small business owners largely supported the notion that everyone should have access to affordable healthcare. Most participants expressed support of a public option such as a Medicaid buy-in, recognizing its potential in bridging the gap between Medicaid eligibility and healthcare affordability.

The owner of a casual restaurant in Englewood acknowledged that those most at-risk to be uninsured or unable to afford using the insurance they have are people of color and low incomes. "These are so many of my employees. There has to be a fix, but I don't know what it is. I'm just trying to make a pizza here."

Participant support, however, was accompanied by questions and concerns about the tax burden, limitations in provider choice, and the overall effect on healthcare systems providing high-quality care.

Childcare providers reacted similarly, concerned about how it would be paid, what coverage would look like, who would benefit, and if it would move costs toward more affordable rates and services.

One provider, who is currently covered through her husband's high-deductible insurance and whose sons are covered by Colorado's Child Health Plan, said a public option buy in would "help me sleep at night." Their current plan once had a \$1,200 annual deductible; it's now an astounding \$16,000.

"I would be happy to pay [a few hundred dollars a month] if I didn't have to come up with a deductible and all this other stuff. With what we are paying now for my husband and I, and I'm wondering if care will even be covered."

Affordability is everything for healthcare, including the deductible

Affordability of private healthcare was the top concern for every business owner that participated in the focus groups. Cost was cited not only as a concern, but in some cases a barrier to expansion and described as a disincentive to owning a business at all.

The owner of a small retail business and physical therapist practice said her private insurance deductible is so unattainable that it feels as if it is a catastrophic policy.

“The only time I’ve used [the insurance] is when I have been in the hospital and quickly hit the deductible,” she said. “I ask myself, ‘Do I really need to go to the doctor? No, not really. I can figure this out on my own.’”

The small business owners, whether they had a few employees, dozens or are self-employed overwhelmingly spoke of increasingly expensive deductibles as part of overall health coverage costs. Affordability needs to make sense for small business and that must include the cost of using one’s health insurance.

“You’re better off not to use [private insurance]. It’s expensive to have it, but with the deductible, you just pray that you just stay healthy.”
Self-employed graphic designer in Denver

Discussion and policy implications

Participants shared viewpoints that align with previous surveys and research: Healthcare coverage is a significant pain point for small business. When it comes to healthcare, small business owners feel unheard and left behind by policy makers and their elected leaders. While small business employs most of the nation’s workforce, owners and the self-employed see a system that favors larger employers and struggle to find ways to compete. It’s critical that small business owners have a seat at the table to address the future of American healthcare.

The discussions drew a distinct line through the small businesses that have benefitted from Medicaid expansion and small business owners who didn’t find it applicable. Medicaid is not a one-size-fits-all solution for healthcare affordability. The conversations revealed that some small business employers whose employees could benefit are not fully informed of the program. Once made aware of Medicaid, they recognized how it could help their potentially uninsured employees.

Small business employers can play an influential role in helping their potentially eligible employees know about Medicaid and options. Government agencies and nonprofits could consider extending robust education and outreach efforts about Medicaid to employers of uninsured workers who are likely to fit eligibility criteria.

Another solution is the creation of a public option buy-in program that allows businesses and their employees to purchase lower cost healthcare plans. This could provide significant cost savings for small business owners. While participants shared questions and doubts about another government-based solution, they also expressed curiosity about such a program and other interventions that make healthcare costs more in reach of small business budgets. Additionally, expanding the public option to small group plans in the future will support small business employee recruitment and retention, possibly opening the door for industries where healthcare is not an expected benefit.

Small business owners have long struggled with healthcare for themselves, their families and/or their employees. The COVID-19 pandemic has exacerbated the financial and emotional strain of healthcare costs on small business owners and the self-employed. The public health crisis crippling small business highlights the need for healthcare coverage that is affordable and sustainable through even dire circumstances.

Conclusion

The small business owners who participated in the series of focus groups echoed two messages that surveys have repeatedly shown: healthcare is a barrier to business growth, and they feel that the government doesn't understand their needs.

Small business owners are concerned about the cost of healthcare and coverage. Participants continued to emphasize the importance of small business considerations when developing new policy approaches to healthcare. Moreover, the participating small business owners, while representing different sectors, backgrounds, and parts of the state found issues with the private insurance market, and how healthcare providers conduct business. However, it is also important to note that there is deep skepticism that government solutions and policymakers can adequately address affordability issues in a way that is favorable to small businesses.

Small business owners are open to considering avenues for expanding healthcare options and reducing costs, but they also have questions and concerns about how this will impact their business specifically. Affordable, accessible small group plans are viewed favorably by businesses with employees (some view it as an avenue to further professionalize some sectors), but any new policies moving forward need to address the specific needs of small business.

Methods and data sources

This report is based on three focus groups, performed over the course of four months in 2020. At the time our interviews were conducted, all participating businesses had been subject to a similar set of constraints imposed by the state of Colorado and local governments due to the COVID-19 pandemic. We asked each group the same questions in a structured setting over Zoom and promised anonymity. Our research instrument was segmented into five parts that asked for general information on the challenges they face as business owners, their personal experiences and knowledge of healthcare, their experience with and knowledge of Medicaid, a reaction to a high-level description of ongoing public option discussions and concluding thoughts.

Our first focus group took place in August, conducted in partnership with the Colorado Black Chamber of Commerce. All six participating businesses were Black owned and a mix of men and women and the participants and their businesses are primarily located in the Denver Metro area. The industries represented included construction management, financial services, legal services, food and beverage, and media. The number of employees for each business ranged from one (self-employed) to more than 50, and their years of experience ranged from startup to more than 20 years in business.

Our second focus group took place in September 2020 and was conducted in partnership with the Colorado Association of Family Child Care. We focused on this industry segment in particular, as it is overwhelmingly represented by women and minority business owners, has high rates of public benefit usage as a sector, and become increasingly important during the public health crisis as families have struggled to balance children at home and work. All six childcare providers are self-employed and operate their businesses out of their homes. Similar to our first focus group, the level of experience ranged from startup to more than 30 years of continuous business operation in this sector. All participants in this focus group were women, and the participants have businesses in different parts of the state.

The third and final focus group was conducted in November 2020, and the participants were drawn from Small Business Majority's own Colorado network. The three participants were a mix of women and men, and included food services, event planning, and small retail business owners. One of the participants was self-employed, the other two participants have different numbers of employees depending on time of year and market conditions. The number of years in business ranged from three to 18 years of operation. The participants' businesses are in the Denver Metro area, Castle Rock and Vail.

Author biography

Lindsey Vigoda directs Small Business Majority's outreach, policy and fundraising efforts in Colorado. Using her social work skills, Lindsey builds and maintains strong relationships with small business communities throughout the state, focusing on key policy issues. Previously, she served as Colorado Outreach Manager, coordinating the organization's education and small business outreach across the state.

Prior to joining Small Business Majority, Lindsey worked on Colorado's successful Proposition 111 campaign, which capped the interest rates of predatory payday loans in the state. While working towards her Master of Social Work at the University of Denver, Lindsey conducted policy research for a statewide policy tank that focused on economic justice.

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