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12-31-2005

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### Recommended Citation

Georgia Health Policy Center, "The View of Small Business Owners" (2005). *GHPC Articles*. 171.  
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# GEORGIA HEALTHCARE COVERAGE PROJECT

## The View of Small Business Owners

### KEY FINDINGS

1. Small business owners share a universal concern over escalating healthcare costs and attribute rising costs to a combination of factors.
2. Small business owners who provide coverage for their employees do so because they view their employees as “family” and want them to have the security that comes from being insured. Those that do not provide coverage want to do so but cannot due to the high cost of coverage.
3. The cost of carrying the legally required workers’ compensation insurance significantly adds to many small employers’ inability to provide health insurance.
4. Small employers who do not currently provide insurance say they could pay an average of \$75 to \$100 per employee per month toward health insurance. They believe their employees, for the most part, could pay an average of \$40 to \$75 per month.
5. Small business owners are reluctant to support any method of expanding coverage to the uninsured that would require them to pay more business taxes. However, they would participate in employer purchasing pools in order to expand or lower their cost of coverage. They also support tax credits as a method of enabling them to expand coverage.
6. Small business owners believe the cost of healthcare and health insurance will continue to rise because there is no leadership to address the problem.

**A**s part of the Georgia Healthcare Coverage Project, five focus groups were conducted during the spring of 2003 to assess small business owners’ opinions and attitudes regarding access to healthcare and expanding health coverage for Georgia’s uninsured population. Business owners who do and do not provide health benefits to their employees participated in these discussions. During February and March 2004, an additional four focus groups were held only with small business owners who do not offer health insurance to their employees. The purpose of these discussions was to better understand the barriers that a small business faces in providing coverage for employees. Participants in the nine groups represented businesses with 2 to 46 employees and included service, manufacturing and retail establishments.

Both sets of focus groups were designed and facilitated by Georgia Health Decisions, a non-profit health research institution. This report summarizes the key findings.

### THE RISING COST OF HEALTHCARE

If a single issue could be said to characterize small business owners’ opinions about healthcare, it would be concerns about escalating costs – both of healthcare services and healthcare insurance. Employers characterize the cost of healthcare as “out of hand,” “ridiculous,” “out of proportion,” “outrageous,” “sinful,” “astronomical,” and “inflated.”

Justifying their strong assertions, small business owners cite the practice of rate negotiations among insurance companies and healthcare providers as a chief contributing factor. Many see this practice as evidence that doctors and hospitals are overcharging patients and question the fairness of charging different prices for the same services based on the payment structure of those patients. Participants also criticize insurance companies for being too greedy and profit motivated, thus, further escalating costs. Compounding this picture is the belief among business owners that the principles of the free market that typically regulate costs do not apply to healthcare.

Small business owners further recognize that the sheer size of Georgia’s uninsured population contributes substantially to the



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***“It’s already draining the small business person, and the large industry as well, to pay these enormous healthcare costs.”***

***Employer from Thompson***

***“The problem with the law of supply and demand is that the medical community isn’t controlled by that. I can’t reduce my demand when I have a 106-degree fever.”***

***Employer from Columbus***

***“We want to give them that peace of mind. When you work in a small business, you develop a relationship with these people.”***

***Employer from Dalton***

high cost of healthcare for a variety of reasons, namely, that the uninsured most often receive care in emergency rooms, do not seek preventive care, and delay getting treatment until their illnesses are in advanced stages and require more expensive treatment. They attribute the rising cost of healthcare to other factors as well, including malpractice insurance for doctors and hospitals, the marketing practices of drug companies that include entertaining doctors and their office staffs, the public’s demand for the highest levels of technology, the cost of caring for terminally ill patients, and abuse by those uninsured who go to the doctor for minor ailments.

## PROVIDING HEALTH INSURANCE COVERAGE

The small business owners in these focus groups showed a remarkable degree of consistency in their belief that providing health insurance to employees, at least at some level within the organization, is the “right thing to do.” Whether they are currently doing so or not, almost all express a strong desire to provide coverage to their employees for a number of reasons. As small businesses, employees work together in close contact with one another and with the owners, and the relationships are cultivated as “family.” Moreover, employees may literally be among the members of the owner’s personal family. In this light, it is not surprising that these owners want to do everything possible to make their employees feel secure by providing them with health insurance coverage.

The employers who provide insurance also profess that offering benefits such as health insurance helps them to attract and maintain better employees. They stress that employees who are dependable, conscientious, and loyal expect to have health insurance, and that they could not attract this caliber of employee without such benefits. On the other hand, those that cannot afford to provide health coverage face situations in which they are unable to hire someone with strong credentials and lose valuable employees due to lack of coverage.

Small business owners explore every means available to them for making insurance affordable to both themselves and their employees. Employee cost-sharing is the mechanism most often used, but attitudes about this vary. While some believe it is important for them to pay the full premium cost, others are equally adamant that employees should contribute toward the premium in order to maintain an appreciation of the value of the coverage provided.

A second mechanism used to offset the cost of health insurance is restricting coverage to certain types of employees or employee groups. Several business owners report making clear distinctions between those employees they view as essential to the long-term success of their



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*“I don’t feel like you should give everything to them. I want them to contribute part of it; I want them to actually have something invested in themselves.”*

**Employer from Columbus**

*“One of our guys makes \$8.50 an hour. To cover his family would probably be as much as he makes in a month.”*

**Employer from Albany**

*“If you talk to your people and they’ve got a choice of having health insurance or taking the money home in a salary, they would rather take the money home.”*

**Employer from Rome**

businesses and other employees. Some of these business owners indicate that they do not extend the health insurance benefits provided to those in management positions to their lower-income workers, who are generally paid by the hour. The primary reason they give for this discrepancy is that, unlike those in management positions, their lower-income employees cannot afford to contribute toward the cost of the premiums and are often only short-term employees.

Employers who offer health insurance to all or part of their employees share considerable concern about the potential economic impact on their businesses if the costs of insurance premiums continue to rise. Most report experiencing yearly double-digit increases in premium rates ranging from 15 to 45 percent. Such rate increases leave small business owners struggling with their commitment to provide coverage, but concern for those who would be left without coverage remains the primary reason many of these employers continue to sacrifice financially to maintain their insurance policies.

## BARRIERS TO PROVIDING HEALTH COVERAGE

Employers in these discussions who have made the decision not to offer health insurance do so because either they or their employees are not financially able to underwrite the cost. In no instance, however, is this decision based on an employer’s unwillingness to do so; indeed, the feeling of doing the right thing for the “employee family” is just as strong among employers who do not offer benefits as among those who do. Further, almost all employers who do not currently offer insurance had sought coverage for their employees within the past two years, but none was able to find a plan that they and their employees could afford.

Although cost is the overriding obstacle, other barriers to obtaining or effectively extending coverage exist. One of the more important of these barriers is the reluctance of employees to contribute toward their own coverage. Many business owners state that their employees consistently prefer to receive salary increases rather than apply the same amount of money toward health insurance. Business owners who do offer coverage also express frustration with their lower-income employees who remain uninsured because they are not willing to contribute toward insurance coverage offered by the company.

Requirements placed on small businesses by insurance companies add to the problems owners face in providing coverage. Of particular concern is the necessity that a certain percentage of employees participate in the plan. While this is not a problem for large employers that are able to pay for most or all of an employee’s coverage, it becomes significant for small employers, because non-participation by only a few people can disqualify the entire company. Exclusions for pre-existing conditions present barriers by making plans less



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***“Just carrying workmen’s compensation insurance is ridiculous, especially for a small business. And, if you don’t have health insurance, you’re going to get more workmen’s comp claims.”***

***Employer from Atlanta***

***“You want all of these things, but if you are working towards something that you can afford, I think the major medical is the main thing and the others are just pluses. I think you can leave out the prescriptions, the dental and the eye (coverage) in order to get somebody some insurance.”***

***Employer from Valdosta***

appealing to employees who have to contribute toward the cost of their premium but are unable to use the insurance for their most pressing health needs, further adding to the problem of meeting mandated participant levels.

The requirement to carry workers’ compensation insurance also compounds small business owners’ inability to provide health insurance. Because of the necessity of having workers’ compensation insurance, which is often very expensive, these employers cannot afford the additional cost of providing health insurance. In addition, participants report that their uninsured workers have more claims on their workers’ compensation than do workers who have health insurance – setting up a vicious cycle where an increase in claims results in an increase in premiums for the workers’ compensation insurance, moving the goal of providing health insurance even further out of reach.

## EXPANDING COVERAGE

In order for small employers to consider expanding health insurance benefits to their uncovered employees, the cost of insurance will have to be dramatically reduced, or employers will have to receive some form of financial assistance. Every employer who attended the focus groups held in the spring of 2004 is willing to make some form of financial contribution toward health insurance for their employees. When asked what monthly contribution per employee they could reasonably make, their responses ranged from \$50 to \$200, with the most common response being between \$75 and \$100. Additionally, they believe that with the exception of the hourly workers at the lowest wage levels, most of their employees would also be willing to make some contribution toward their own health insurance. Again, participants offered a fairly wide range for what they believe their employees might contribute. Not surprisingly, the variance is attributed to employee salary levels. However, these employers did concur that as a group, most of their employees could reasonably pay between \$40 and \$75 per month for insurance, with the stipulated understanding that low-income hourly workers could not reasonably be expected to make any contribution toward insurance because they have no disposable income.

In discussing what benefits should be included in an insurance plan to make it attractive to both the employers and their employees, participants support a plan that provides major medical benefits covering: outpatient visits to physicians; hospitalization; prescription



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*“If you insure all the employees we are talking about, then you are also ending a lot of the indigent care that the state currently pays for, or the counties pay for.”*

***Employer from Macon***

*“We’ve got to do something. I have no problem with a form of socialized medicine like in Canada.”*

***Employer from Rome***

drugs (generic when possible); and preventive screenings. Vision and dental care should not be included in order to keep costs lower.

Business owners also express a general willingness to buy insurance through an employer’s purchasing pool and suggest that the following parameters be incorporated into a purchasing pool program:

- All employees should be eligible for participation, even those with pre-existing conditions.
- Coverage should be provided by reputable insurance companies.
- Yearly price increases should be regulated so that insurance remains affordable.
- A reasonable choice of doctors and hospitals should be included in the network.
- Those who live in rural areas of the state should not have to travel long distances in order to receive covered services.
- Participation in the pool should not create a “paperwork nightmare.”

Participants in all focus groups support a tax credit as a means of helping them provide health insurance for their employees. Some believe that a tax credit would not only help them as small business owners, but would benefit the state as well.

They are also willing to explore options to help relieve business owners from bearing the responsibility of providing health coverage for employees. A buy-in to the state Medicaid program received a strong endorsement, and the concept of universal health insurance met with more support than expected. While cautious in their support, business owners indicate a willingness to explore the details of such a plan. However some remain adamantly opposed to any form of universal healthcare, believing that this system would dramatically increase taxes, reduce the quality of healthcare, eliminate choice, and expand government regulation. As expected, the idea of an employer mandate is universally rejected by small business owners.



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*“The question is, ‘What do we do? Who do we complain to?’”*

***Employer from Thompson***

*“Whatever the solution is, it’s going to take a while. It’s a long process.”*

***Employer from Decatur***

## CLIMATE FOR CHANGE

These small business owners see no relief in sight to rising healthcare costs. They believe a lack of leadership from business, healthcare professionals, and politicians will result in more of the same for the foreseeable future. As small business owners, they feel powerless to influence any of the factors affecting health costs. While they would like to play a more active role in finding solutions, most are too immersed in the challenges of being a business owner to be able to address issues that do not directly impact their day-to-day operations.

However, most participants agree that change will not happen until businesses band together and demand that something be done to relieve the financial burdens they currently bear. Despite an expressed resistance to government involvement, these business owners acknowledge that politicians and government will have to play a major role in controlling costs and expanding coverage to the uninsured.

*For more information, please contact: The Governor’s Office of the Consumers’ Insurance Advocate 404-463-1010  
Funded by a grant from the Health Resources and Services Administration, U.S. Department of Health and Human Services*