

How Health Reform Will Benefit Iowa Small Businesses

The Health Insurance System Is Failing Small Businesses:

Small businesses face an unlevel playing field with insurance companies:

- **Lack of Bargaining Power:** Small businesses pay 18 percent more than larger groups for the same coverage, and 20-25 percent in administrative costs compared to around 10 percent for larger firms.¹
 - **Lack of Real Choices:** In Iowa the top two insurers maintain 80% of the market share, leaving small businesses without real choices.
 - **Lack of Accountability:** Insurers have free reign to raise rates at their whim, and small business owners have no recourse and no way to level the playing field.
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How Health Reform Will Help Small Businesses:

The current proposal for health reform will make health care work for small businesses:

- **A health insurance exchange** will simplify the system and give small businesses new choices.
- **A competitive public health insurance plan** will give small businesses new leverage, drive down costs, and keep insurance companies honest.
- **Insurance market reforms** will prohibit pre-existing condition exclusions and end discrimination against small groups based on health status and gender.
- **Affordability measures** including tax credits for small businesses and subsidies for employees will make health coverage affordable.

These elements are essential to make health care work for small businesses.

Why Small Businesses Can't Afford to Wait for Health Reform:

Small businesses need health reform – this year:

- **The Cost of Doing Nothing:** Without health reform, economic research projects that Iowa small businesses will pay \$3.8 billion in health care costs over the next ten years, and in 2018 small businesses will pay twice as much for health care as they pay now.² Small businesses simply can't afford that.
- **Savings from Fixing Health Care:** Nationally health reform could save hundreds of billions of dollars for small businesses. For businesses with under 10 employees that offer coverage, health reform could save an estimated \$3,500 per employee per year compared to current health care costs.³ That's what small businesses need.

*The Iowa Main Street Alliance is a project of the Iowa Citizen Action Network
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¹ Lester Feder & Ellen-Marie Whelan, "Small Businesses, Large Problems: Health Care Costs Hit Small Employers," Center for American Progress, October 30, 2008, http://www.americanprogress.org/issues/2008/10/small_business_brief.html

² "The Economic Impact of Healthcare Reform on Small Business," Small Business Majority, June 2009, pp. 7-8, charts 1 & 2.

³ Josh Bivens, Elise Gould, and Alexander Hertel-Fernandez, "Health Care Reform: Big Benefits for Small Businesses," Economic Policy Institute Issue Brief #258, July 2009, p.5, figure D.