

**Testimony of William J. Dennis, Jr., Senior Research Fellow, NFIB Research Foundation before the  
House Subcommittee on Healthcare and Technology**

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Thank you Chairwoman Ellmers, Ranking Member Richmond, and all Members of the Healthcare and Technology Subcommittee for the invitation to testify today. My name is William Dennis and I am the Senior Research Fellow at the National Federation of Independent Business. As such, I manage NFIB's research program and direct long-term policy planning and annual surveys.

Earlier this week, NFIB released a survey titled, "Small Business and Health Insurance: One Year After the Enactment of PPACA." The data for this report were drawn from a nationally representative telephone survey of small employers during the latter part of April and the first half of May, 2011. The survey was conducted for the NFIB Research Foundation by the polling firm Mason-Dixon, Inc. of Columbia, Md. The sample was drawn from the files of Dun & Bradstreet with small employer defined as those employing 50 or fewer people other than the owner(s) – the number that triggers the employer mandate within the law.

Our results found that one year after passage of the Patient Protection and Affordable Care Act (PPACA), 42 percent of small employers – defined as businesses employing 50 or fewer people other than the owner(s) – offer employee health insurance. In the last 12 months, 1 percent of offering small employers added health insurance as an employee benefit while 4 percent of non-offering employers dropped it.

The number of small employers offering employee health insurance is likely to change little over the next 12 months. Virtually no small employer now offering expects to drop health insurance in the next year and virtually no non-offering employer expects to add it in that time frame.

Twenty (20) percent of small employers currently offering expect to significantly change their benefit package and or their employees' premium cost-share the next time they renew their health insurance plans. Almost all significant changes expected involve a decrease in benefits, an increase in employee cost-share, or both.

Since enactment, one in eight (12%) small employers have either had their health insurance plans terminated or been told that their plan would not be available in the future. Plan elimination is the first major consequence of PPACA that small-business owners likely feel.

Eighteen (18) percent of small employers think they are "very familiar" with PPACA and another 40 percent think they are "somewhat familiar" with the new law.

By overwhelming margins, small employers who have some knowledge of the new law think that PPACA will not reduce the rate of health care (insurance) cost increases, will not reduce the administrative

burden, will increase taxes, and will add to the federal deficit. They agree that PPACA will result in more people having health insurance coverage, but do not think it will yield a healthier American public.

The principal factor explaining the PPACA outcomes that small-business owners expect is their current offer/non-offer status. Those offering employee health insurance are notably more pessimistic about the new law's projected outcomes. Neither the degree of familiarity with PPACA nor employee size-of-business is associated with their expected outcomes.

Low-wage employees, particularly those experiencing a large premium cost-share, have a powerful incentive to bolt an employer's health plan for the newly established and heavily subsidized exchanges. Should employees begin to leave for an exchange, 26 percent of currently offering small employers are very likely to explore dropping their health insurance plans and another 31 percent are somewhat likely to do so.

A key factor in a small employer's decision to drop a current health insurance plan will be the proportion of employees who leave their health plan for an exchange. Forty-three (43) percent report that a majority of employees would have to leave before they would drop their plan and 35 claim it would require all of them.

An estimated 245,000 (out of 5,228,000 employers with fewer than 25 employees) are eligible for a full PPACA tax credit. Another estimated 1.165 million are eligible for the partial credit.

The PPACA tax credit acts almost exclusively as a windfall for small employers who currently offer health insurance rather than as an incentive to encourage its purchase. Considering eligibility and awareness issues, the full credit incents, but does not necessarily change behavior, of only about 2 percent of small employers having fewer than 25 employees.

Fifty-seven (57) percent of small employers express interest in contributing to defined contribution-type health plans. Their interest assumes employees benefiting from their contributions receive equitable tax treatment compared to that in employer-sponsored plans.

Thank you for this opportunity to report the findings of our survey. I look forward to answering any questions you may have.

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