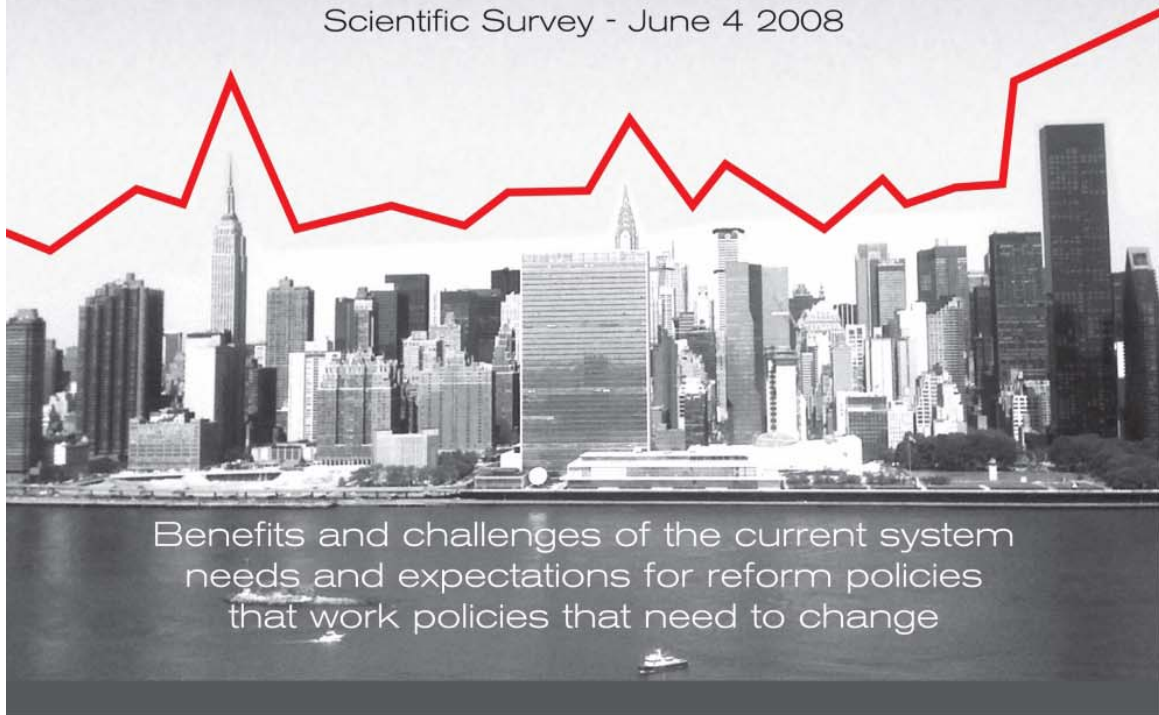


THE BUSINESS AND LABOR
COALITION OF NEW YORK
SMALL BUSINESS MAJORITY
AARP & AMERICAN CANCER SOCIETY

The Health Care Pulse
of New York State Small Businesses

Scientific Survey - June 4 2008



Benefits and challenges of the current system
needs and expectations for reform policies
that work policies that need to change



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Organizations

BALCONY, the Business and Labor Coalition of New York (www.balconynewyork.com), is a statewide, non-partisan, non-profit organization that is committed to finding common ground between business and labor. **BALCONY** represents more than 1000 small businesses, labor unions and trade associations in New York State.

Small Business Majority (www.smallbusinessmajority.org) is a national small business advocacy organization working to ensure prosperity in the 21st Century economy by building a politically active community of small business owners. SBM's primary focus is comprehensive health care reform. The organization is currently building active chapters and affiliates in 10 states across the country.

AARP (www.aarp.org), a nonprofit, nonpartisan membership organization with over 39 million members, for people age 50 and over in the United States, dedicated to enhancing quality of life for all aging Americans. AARP leads positive social change and delivers value to members through information, advocacy and service.

The American Cancer Society (www.cancer.org) is a nationwide community-based voluntary health organization dedicated to eliminating cancer as a major health problem through research, education, advocacy, and service.

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THE HEALTH CARE PULSE OF NEW YORK STATE SMALL BUSINESS

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The Survey Questionnaire with Percentage Findings is available at www.BalconyNewYork.com.

THE HEALTH CARE PULSE OF NEW YORK SMALL BUSINESSES

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THE CONCEPT

THE HEALTH CARE PULSE OF NEW YORK SMALL BUSINESSES

BALCONY, the **Business and Labor Coalition of New York, Small Business Majority (SBM)**, the **American Cancer Society (ACS)** and **AARP** conducted a scientific survey of small businesses across New York State. The survey examines New York State small business attitudes towards health care reform. It also measures how New York's entrepreneurs feel about health care costs and the popularity of various options to reform the health care insurance system which have been circulating in Albany and elsewhere in the United States.

"**The Health Care Pulse of New York Small Businesses**" study is uniquely positioned in the health care debate in New York as the first scientific RDD (Random Digit Dial) survey of small businesses across the State to become public. To our knowledge, the available public release polls of small business' health care attitudes in New York surveyed only organization members. The present study surveyed small businesses despite organizational, political or other affiliation.

In 2006 **SBM**, a national non-profit small business advocacy group, conducted a national scientific poll of small businesses and a more extensive scientific poll of Health Care concerns of small business in California in 2007. Those surveys showed health care to be a primary concern for small businesses, and the survey respondents expressed support for a wide variety of health care reform solutions.

BALCONY concluded that it would be immensely helpful to the **Partnership for Coverage Health Care** reform debate in New York to team up with **SBM** and conduct a similar survey in New York. Moreover, **BALCONY** enlisted its members the **American Cancer Society** and **AARP** to join as partners for this research project.

We hope that this research study will provide a credible tool to amplify small business support for reform, educate lawmakers and advocates about their attitudes toward health care coverage, and inform the public debate.

We believe that providing affordable health care for small business is not only the key to the adoption of a health insurance program for all New Yorkers, but also the key to a healthy New York economy.

EXECUTIVE SUMMARY AND KEY FINDINGS

THE HEALTH CARE PULSE OF NEW YORK SMALL BUSINESSES

The Health Care Pulse of New York Small Businesses survey demonstrates that New York's small businesses strongly believe that access to affordable health care is critically important to their livelihood and business success. They overwhelmingly feel that companies have a responsibility to provide affordable health care to their employees, and, by strong majorities, they support a wide range of possible health care reform proposals.

Currently, half of New York's small businesses cannot afford or choose not to offer insurance to their employees, and half of those who do are contemplating substantially cutting benefits to deal with rising costs. In contrast to the erroneous stereotype of the ideologically inflexible small business owner who opposes all serious health care reform, the survey reveals a strong desire by small businesses to be a part of a comprehensive health care solution, even if that includes an obligation by small businesses to either offer insurance or help fund a statewide health insurance pool.

This survey makes clear that small businesses are looking for a pragmatic solution; they want to be part of a system of shared responsibility by all stakeholders, and they want the health care coverage to be affordable. They see the current system as inherently anti-competitive, favoring those who are able to avoid paying for insurance, and they believe that a system with large number of uninsured citizens imposes a "hidden tax" on everybody. They also see the cost of drugs and the current position of powerful insurance companies as driving up health care costs through the entire system.

Finally, again in contrast to the current stereotype, small businesses decidedly view government as a necessary part of the solution, particularly to act as a watchdog to guard against the skyrocketing cost of drugs and higher insurance premiums.

Small businesses have a similar understanding of the current health care crisis and a similar attitude toward future reforms and specific policy proposals -- regardless of whether they offer health insurance or not.

The Health Care Pulse of New York Small Business survey key findings are:

- **The vast majority (81%)** of small businesses agree that in order to make health care more affordable **it is important to share the responsibility for financing** it among individuals, employers and government.
- **1 out of 2 are in favor of requiring employers** who are not currently offering health insurance **to pay some amount for the employees health insurance** – 58% of those in favor say that 8% of payroll or more is an appropriate percentage.
- Most of the respondents **(72%) favor giving businesses the ability to simply pay a fee to a statewide pool** that would bargain down costs, and that would then provide coverage to the business's workers at favorable rates.
- **55% of those who offer health insurance agree that small businesses have a responsibility to offer health insurance** to their employees, compared to 17% who disagree.
- **61%** say that **it is unfair that employers who provide coverage have to compete with those who don't have employee health care costs**, and that requiring all employers to contribute to employee health coverage would help level the playing field.
- The overwhelming majority **(85%) agree that we need government to act as a watchdog** to protect businesses and consumers against big rate hikes and unfair practices by health insurance companies.
- **Almost unanimously, small businesses agree (91%) that the cost of prescription drugs is driving up the cost of health care**, and the vast majority think that hospitals and health care labor costs are making health coverage unaffordable.
- 1 out of 2 small businesses **(49%)** which responded to this survey **do not offer health insurance**, and the majority of them cite **affordability as the most important reason**.
- **To confront the rising cost of health insurance, small businesses indicated that they would consider taking action which could negatively impact employees**, such as changing to a high-deductible plan (29%), reducing benefits offered through the plan (26%), and/or introducing or increasing employee contributions (26%).

SURVEY DESIGN AND METHODS

409 New York State Small Businesses

Margin of Error: +/- 4.9%

BALCONY, SBM, AARP and **ACS** commissioned telephone interviews with a sample of 409 respondents who were either owners or senior executives of small businesses employing 500 or fewer employees in New York State. The interviews were conducted in English by **Global Marketing Research Services, Inc.** from April 21 to May 12, 2008. The estimated average sample tolerance for data from the random survey (margin of error) of 409 is +/- 4.9%. Sampling error for subgroups is higher. Percentages may not always add to 100%, due to rounding or because several questions allowed for multiple answers.

Sample Design

The RDD sample of small businesses with 500 or fewer employees was drawn at random from a list of 16,000 small businesses in New York State which was compiled by **Prime New York** based on data provided by the Dunn and Bradstreet business directory. Respondents were screened on two levels: first, for owners or senior executive officers and second, for whether they were involved with the company's decision making process for what health insurance will be offered. 63% of those who completed the interview were owners of the business.

Questionnaire Development and Interpretation of Findings

The questionnaire was developed by **BALCONY** and **SBM** jointly with **AARP** and **ACS**. The development of the questionnaire, including the question wording and order, reinforces the reliability and validity of the results. The analysis and report of the findings are a balanced and accurate portrayal of the survey results.

Section 1

SMALL BUSINESS ATTITUDES TOWARDS THE CURRENT HEALTH CARE SYSTEM

Small Businesses say that offering health insurance attracts good employees

When asked to rank the importance of a list of reasons to offer health insurance to employees, small businesses listed a combination of hard-nosed business factors and a desire to ensure their employees' health and welfare.

The vast majority of the respondents reported one or more important reasons for offering health insurance. The top reasons were that it helps attract good employees (70% extremely or very important) and that it improves employees' health (60%). More than half of the respondents say that employees expect it and that it is their responsibility to offer health insurance to their employees.

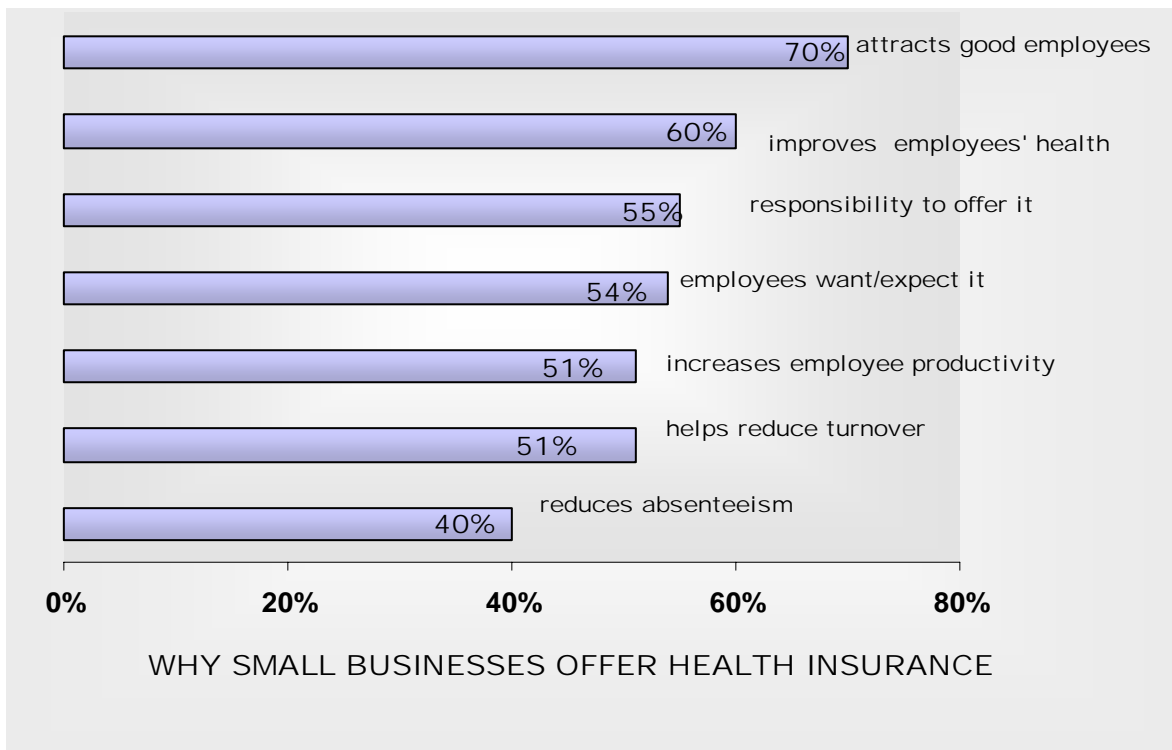


Exhibit 1.1

Small Businesses say that they cannot afford health coverage

The large majority of the small businesses who responded to the survey (68%) report that the cost of health care is an extremely or somewhat important issue for them.

When respondents who do not offer health coverage were asked to cite the reasons they don't, the affordability issue (52%) came first, by a large margin from the second most important reason, that "the company's revenues were too uncertain" (38%). Further down in the list was the fact that "employees cannot afford it" which was stated as the reason for not offering health insurance by only 28% of the respondents.



Exhibit 1.2

The majority of small businesses (61%) say that if all employers were required to contribute to employee health coverage, it would help level the playing field. Businesses feel that it is unfair that employers who provide coverage have to compete with those who don't have employee health care costs. This belief is almost equally popular among small businesses which offer health insurance (63%) and those who don't (57%).

Cost of Prescription Drugs

Almost unanimously, small businesses agree (91%) that the cost of prescription drugs is driving up the cost of health care, and the vast majority think that hospitals and health care labor costs are making health coverage unaffordable.

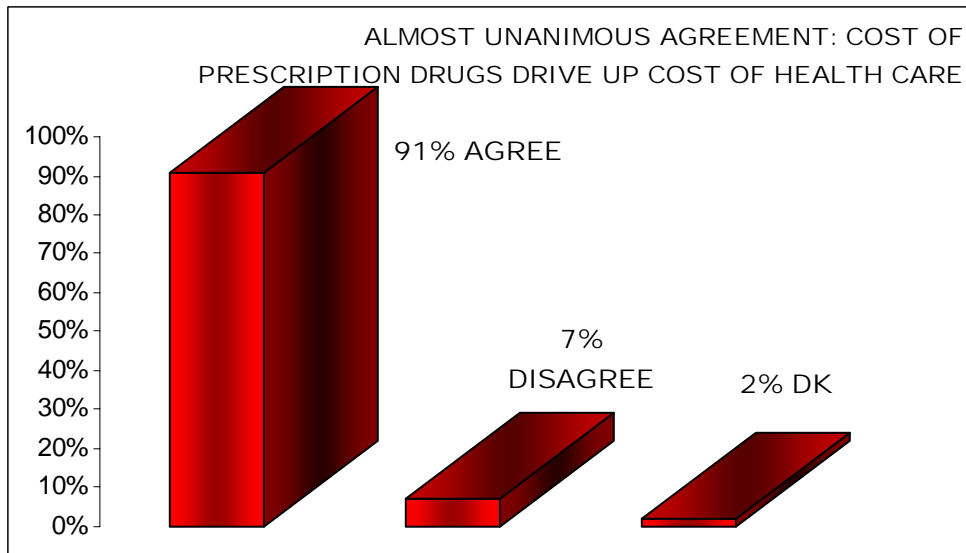


Exhibit 1.3

Healthy New York

58% of small businesses are aware of the Healthy New York insurance program provided by New York State, and another 4% offer it. 38% are not aware of the program.

Of the small businesses which do not offer health insurance, 40% are not aware of Healthy NY.

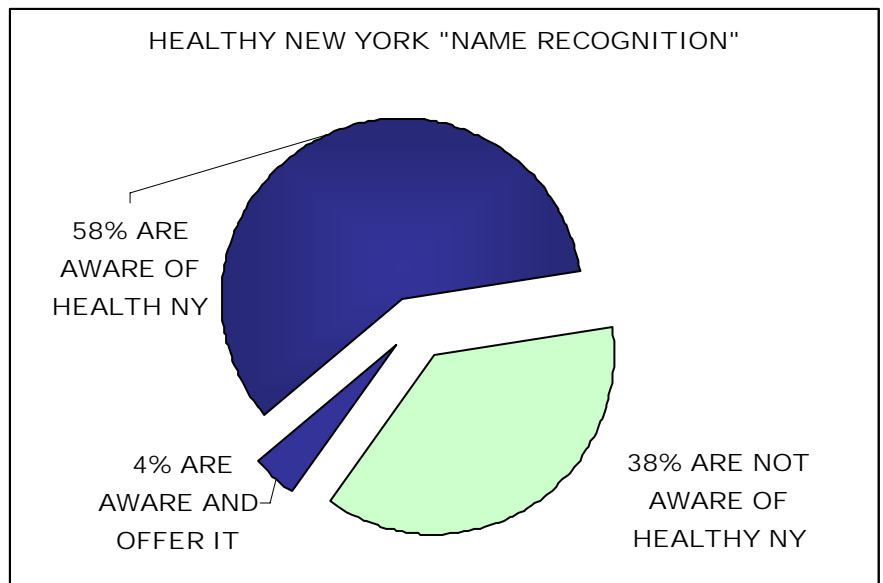


Exhibit 1.4

How Small Businesses Confronted Rising Insurance Costs in the Past

Given the increasing cost of health insurance over the past few years, we asked small businesses which offer health insurance, what action they took in the past in order to meet this burden. The most popular action among businesses which said that insurance premiums have increased in the past three years was to reduce the benefits which were offered through the plan (29%).

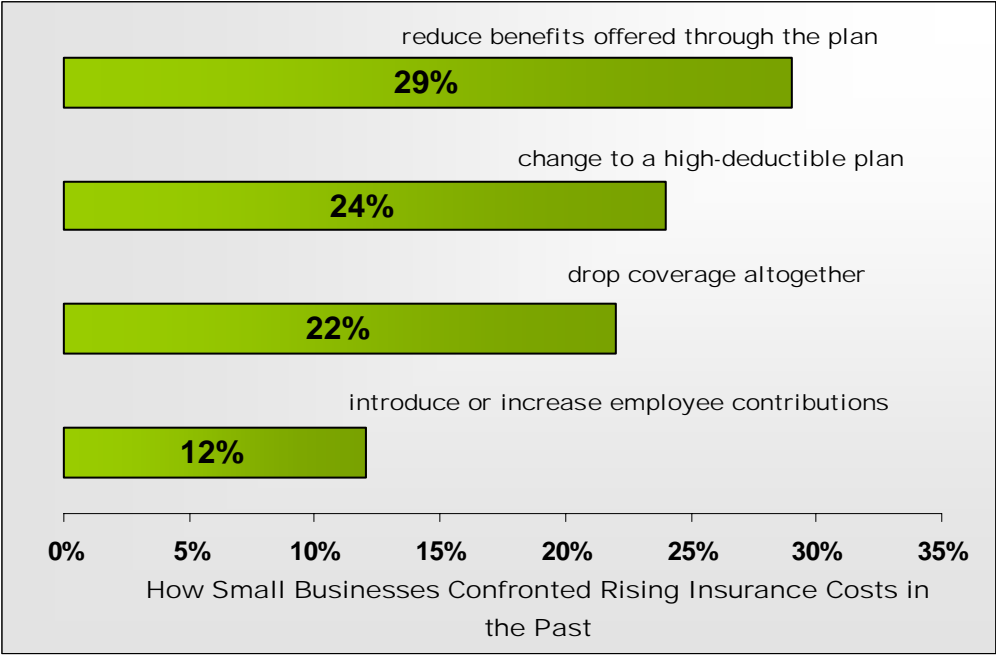


Exhibit 1.5

How Small Businesses Will Confront Rising Insurance Costs in the Future

To confront the rising cost of health insurance, small businesses indicated that they would consider taking action which could negatively impact employees, such as changing to a high-deductible plan, reducing benefits offered through the plan, and/or introducing or increasing employee contributions. Although only 1 out of 5 employers said that they would drop coverage, it is still a striking number considering the number of people/employees who will be impacted by this action. At the same time a large portion of the respondents (43%) do not know or do not lean towards any of the actions we tested.

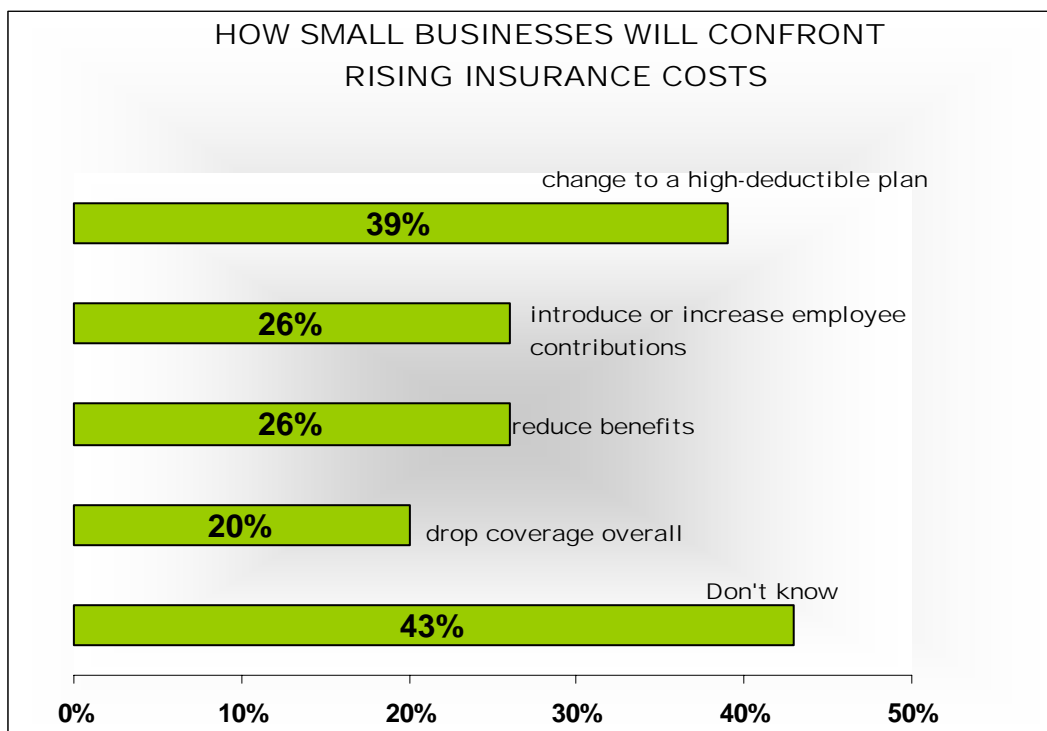


Exhibit 1.6

Please note that respondents were allowed to choose more than one answer in this question.

Section 2

SMALL BUSINESS ATTITUDES ON HEALTH CARE POLICY PROPOSALS

General Reform Attitudes

In general, respondents evidenced a desire to support a wide range of proposed health care reform proposals. Regardless of whether small businesses offer health insurance right now, they believe that it is their responsibility to do so and half believe that this should be a requirement. They see health care as a problem to be solved by all stakeholders and they overwhelmingly regard government as a vital “watchdog:” and as a key partner in implementing a solution.

Sharing Responsibility

81% of small businesses agree that in order to make health care more affordable it is important to share the responsibility for financing it among individuals, employers and government.

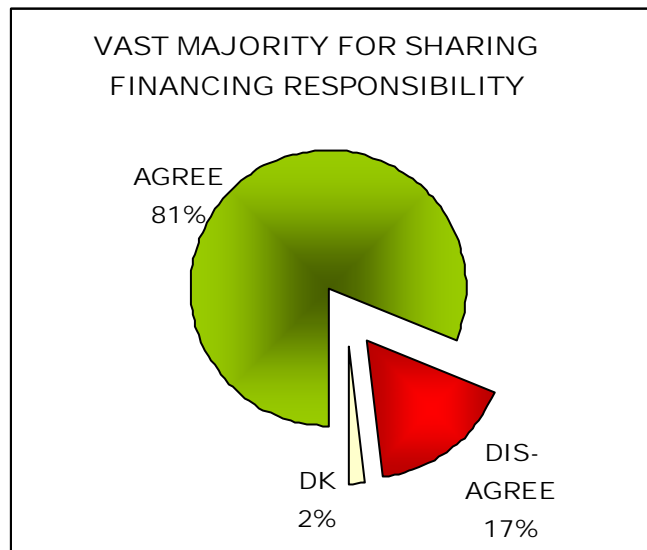


Exhibit 2.1

Should employers be required to offer health insurance?

1 out of 2 small businesses are in favor of requiring employers who are not currently offering health insurance to pay some amount for their health insurance. It is worth mentioning that the plan gets support equally from businesses which currently offer health insurance and those who do not.

Of the small businesses that are in favor of requiring employers to pay for health insurance, 58% report that **8% of payroll or more is the appropriate percentage to pay.**

Exhibit 2.2

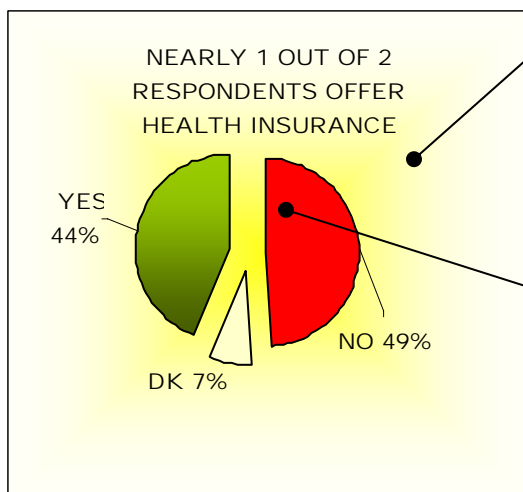
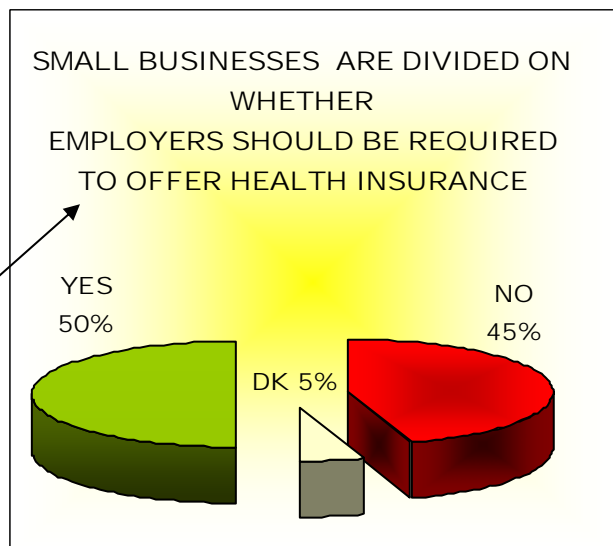


Exhibit 2.3

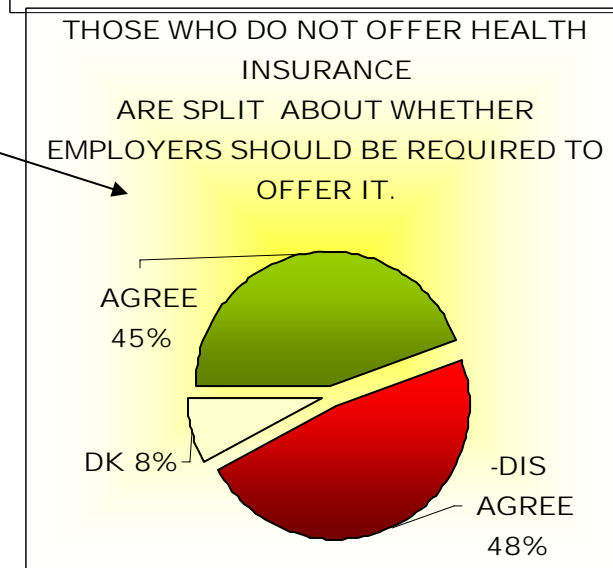


Exhibit 2.4

Other popular reform concepts:

- **“Government as watchdog”:** An overwhelming majority (85%) of small businesses say that government is necessary to act as a watchdog to protect businesses and consumers against big rate hikes and unfair practices by health insurance companies.
- **“The hidden tax”:** A strong majority of small businesses (68%) believe that making sure the

uninsured are covered would decrease the “hidden tax” that we all pay in premiums and taxes.

- **“Health care as a societal issue”**: Less popular than the above statements but still supported by the majority of small businesses (60%), is the opinion that health care is a societal issue and should fall on the government, not on employers and individuals to provide. It is worth mentioning that a large percentage of the respondents (37%) oppose this statement.
- **“Free market”**: At the same time, 1 out of 2 of the respondents (53%) oppose the idea that government should get out of the way and let insurers and the free market keep health care affordable and accessible. A smaller but significantly large group of respondents (43%) are in favor of the free market.

Specific Proposals

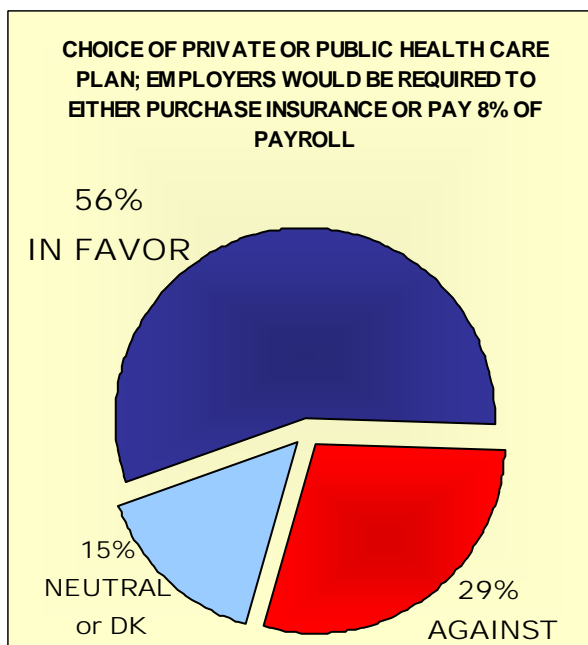
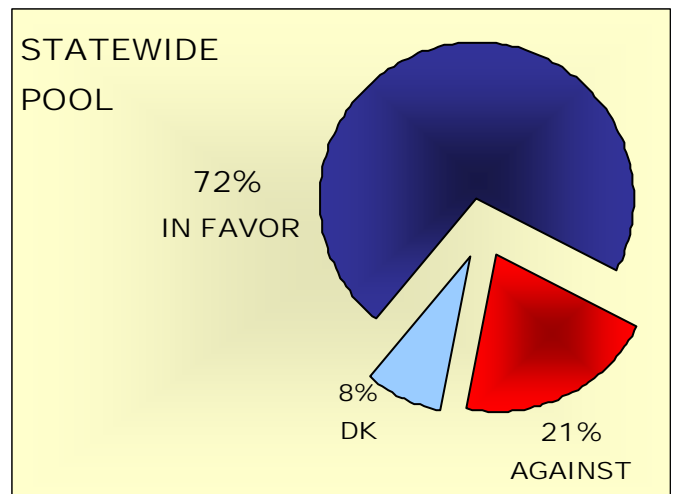
The most popular health care policies among small businesses in this survey were the following:

- Most of the respondents (72%) favor giving businesses the ability to simply pay a fee to a statewide pool that would bargain down costs, and that would then provide coverage to the business' workers at favorable rates.
- A plan that guarantees health coverage for all New Yorkers through a choice of either a private or public health care plan, and requires employers to either purchase private insurance or pay 8% of payroll costs (56%).
- A proposal that allows both individuals to buy insurance through the New York State Family Health Plus insurance plan on a sliding scale (52%), and businesses to buy the State coverage plan by paying the majority of the employee's premium.
- An individual mandates plan similar to the one adopted by Massachusetts last year (51%).

Exhibit 2.5

Statewide Pool

The statewide pool policy is the most popular among the plans tested in the survey. By a margin of 3:1, small businesses (entirely or somewhat) agree with a statewide pool which would bargain down costs, and provide coverage to the business workers at favorable rates, after businesses paid a fee to the pool.



Health Coverage for all through a choice of either a private or public health care plan.

56% of small businesses say that they would (extremely or somewhat) support a system that guarantees health coverage for all New York residents from a choice of private health insurance or a public health plan offered by New York State. Employers would be required to either purchase private health insurance for their employees or pay 8% of payroll costs to enroll their employees in the plan offered by New York State. Employees would pay their share of health insurance on a sliding scale (vs. 28% who are unsupportive).

Exhibit 2.6

Insurance through the New York State Family Health Plus for individual and businesses

52% of small businesses are extremely or somewhat supportive of expanding coverage by allowing individuals to get health insurance on a sliding scale from New York State's Family Health Plus insurance program and allowing businesses to buy Family Health Plus coverage by paying the majority of the employee's premium (vs. 27% who are unsupportive).

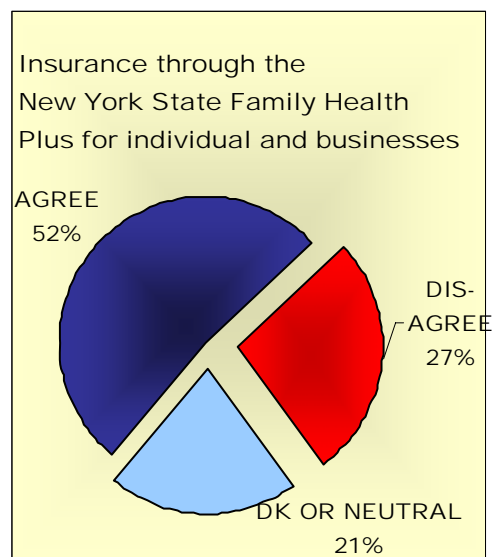


Exhibit 2.7

Individual Mandates and the Massachusetts plan

The majority of small businesses are in favor of individual mandates. A plan tested in the survey similar to the health care plan that Massachusetts adopted last year, received support by 1 out of 2 businesses while only 1 out of 4 opposed it.

"Require all New Yorkers to purchase health insurance from a choice of plans with benefit packages that fit their budgets, similar to the new program in Massachusetts. Low-income people with or without other coverage would be required to enroll in a public program.

Employers with ten or more employees would have to cover their employees or pay a fee into a state fund."

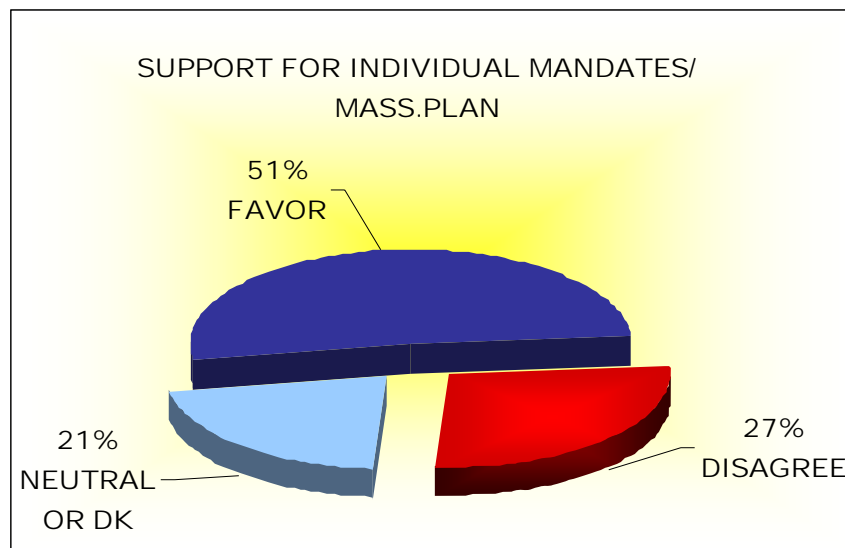


Exhibit 2.8

Health Savings Accounts

44% of small businesses support the Health Savings Accounts plan compared to 34% who oppose it. According to this plan, the Health Savings Accounts would provide tax-deductible accounts for the purchase of private insurance coverage and for health-related costs and insurance deductibles. Coverage would include at least a \$1,000 deductible, and would allow insurance companies to offer fewer benefits and a less expensive insurance plan, while eliminating laws that require minimum benefits and government

Health coverage for all by enrolling in a public health insurance plan is not popular

Slightly more respondents (41%) oppose the plan to guarantee health coverage by enrolling all New York residents in a public health insurance plan run by New York State, paid for by requiring employers to pay 8% of payroll costs and employees to pay a 4% payroll tax. 38% of small businesses are in favor of it.

Should government get out of the way?

A slight majority of small businesses (53%) disagree with the statement that government should get out of the way and let insurers and the free market keep health care affordable and accessible. 43% agree that government should get out of the way.

Section 3

SMALL BUSINESS DEMOGRAPHICS AND HEALTH COVERAGE PROFILE

Size and type of businesses

The vast majority of the small businesses which responded to the survey employ 10 employees or fewer (87%).

These businesses surveyed represent a broad range of fields including retail (17%), creative or technical services (13%), financial, legal, consulting and other services (11%), health care (7%) and manufacturing (5%).

1 out of 2 small businesses who responded to the survey were profitable last year compared to 34% who did not make a profit (18% were not certain or refused to give an answer). 54% of the respondents had business revenues under \$1 million.

What percentage offer health insurance

Half of the small businesses which responded to this survey do not offer health insurance: 49% (compared to 44% who offer it.)

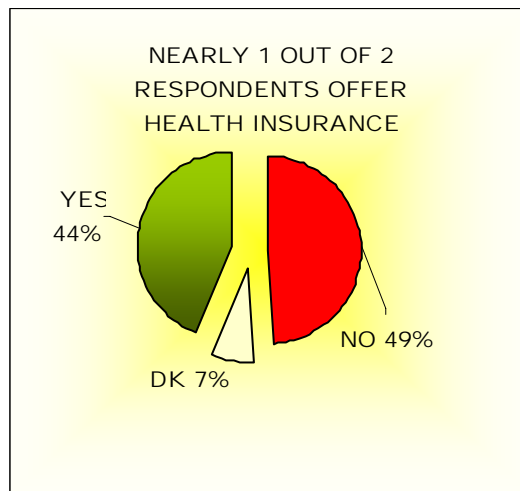


Exhibit 3.1

Who is covered by health insurance?

The employees who are covered under the insurance plans of the 44% of businesses which offer it include:

- 94% of their Full-time employees
- 49% of their Full-time employees' dependents

- 16% of their Part-time employees
- 8% of their Part-time employees' dependents

The remaining 5% of the respondents did not have an answer to this question.

Monthly cost of health insurance on business per employee:

- 28%: Over \$500
- 12%: \$400-500
- 31%: \$200-400
- 11%: \$100-200
- 2%: Under \$100

The remaining 16% of the respondents did not have an answer to this question.

How is the respondent, owner or senior executive, covered by health insurance?

Among all respondents of the survey, less than half of them were covered by insurance through the business (42%). The vast majority of respondents, whose business offers insurance, are covered through it (74%). Other respondents are covered as follows:

- 24%: Spouse or partner's insurance
- 14%: Non-group individual insurance
- 9%: Not covered
- 5%: Medicare
- 2%: Retiree health coverage from previous employment

The remaining 4% of the respondents did not identify the type of insurance that they were covered by.

Political party affiliation

The respondents of the survey cover all party affiliations and independents. Specifically, 28% of respondents are Democrat, 26% are Republican and 25% are Independent. 20% refused to answer, and 2% have another party affiliation.

Selected Characteristics of Firms in the Survey Sample

Exhibit 3.2

	Sample Size	Percentage of Total
Firm Size		
1 (owner)	121	30%

2 to 5 employees	182	45%
6 to 10 employees	50	12%
11 to 25 employees	28	7%
26 to 50 employees	13	3%
51 to 100 employees	5	1%
Over 100	10	2%
All firm Sizes	409	100%
Region		
New York City	99	25%
Westchester County	19	5%
Rockland County	8	2%
Nassau County	28	7%
Suffolk County	29	7%
Urban Upstate	74	18%
Rest of the State	147	36%
All Regions	409	100%
Industry		
Retail	70	17%
Online/Internet-based business	5	1%
Manufacturer	20	5%
Wholesale distributor	17	4%
Health care	27	7%
Real estate	14	3%
Construction	26	6%
Agriculture	9	2%
Creative or technical services	53	13%
Financial, legal, consulting or other services	43	11%
Restaurant / Fast food	7	2%
Community Based Organizations	24	6%
Other	94	24%
All Industries	409	100%

Statistics of New York State Businesses 2005: U.S. Census Bureau

Exhibit 4.1

Firm Size	Firms	Paid employees	Annual payroll (\$1,000)
All firms	445,941	7,417,463	370,842,630

Firms with 0 to 4 employees (as of March 12)	292,071	466,129	18,749,958
Firms with 5 to 9 employees	69,118	451,195	16,310,663
Firms with 10 to 19 employees	39,643	528,906	20,890,817
Firms with 20 to 99 employees	33,647	1,268,410	54,526,290
Firms with 100 to 499 employees	7,323	1,138,207	51,233,235

Statistics of New York State Businesses 2005: U.S. Census

Bureau

Exhibit 4.2

Industry	Annual payroll (\$1,000)
All firms	370,842,630
All industries	445,941
Agriculture, Forestry, Fishing and Hunting	604
Mining	312
Utilities	176
Construction	46,232
Manufacturing	18,624
Wholesale trade	32,948
Retail Trade	60,111
Transportation and Warehousing	10,606
Information	7,617
Finance & insurance	16,731
Real estate & rental & leasing	29,436
Professional, scientific, & technical services	55,476
Management of companies & enterprises	1,740
Administrative & support & waste management & remediation service	21,853
Educational services	5,734
Health care & social assistance	42,622

Statistics of New York State Businesses 2005: U.S. Census

Bureau

Exhibit 4.2

Industry	<u>Annual payroll</u> <u>(\$1,000)</u>
Arts, entertainment, & recreation	10,297
Accommodation & food services	37,264
Other services (except public administration)	49,641
Unclassified	1,735



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