

Small Business Health Insurance

Costs, Trends and Insights 2017



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Introduction

eHealth's report, *Small Business Health Insurance: Costs, Trends and Insights 2017*, provides a snapshot of costs and plan selection trends in the small business health insurance market for the 2017 calendar year. It also explores consumers' attitudes toward small business coverage and the market as a whole.

The findings are based on an analysis of applications received by eHealth from employer groups with fewer than 30 employees in 2017 and on the results of a March 2018 survey of small business owners that purchased their group health coverage at eHealth.

Highlights:

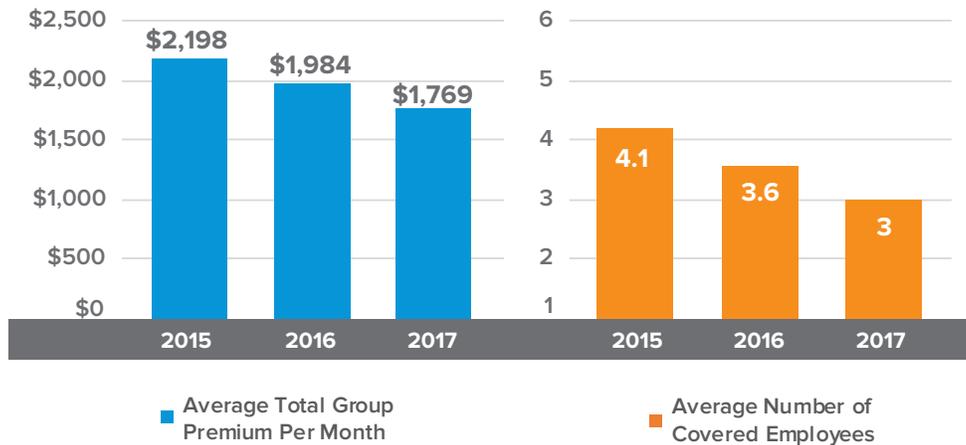
- In 2017, eHealth saw more very small businesses (of three or fewer workers) enroll in small business health insurance plans. High prices and fewer health plan options in the individual and family markets led a growing number of consumers who qualified to consider small business coverage.
- Considered on a per-person basis, the cost of small business coverage selected at eHealth increased by 8 percent between 2016 and 2017, after decreasing by one percent between 2015 and 2016. By contrast, average premiums for individuals purchasing their own health insurance increased 18 percent between the 2016 and 2017 open enrollment periods¹ and 16 percent between the 2017 and 2018 open enrollment periods²
- Nearly 80 percent of small business owners say they worry about the cost of coverage; more than 6 in 10 (62 percent) said that a 15 percent increase in premiums would make their current group health insurance coverage unaffordable, potentially leading them to shop for more affordable options or contribute less to employee premiums.
- A majority of small business customers purchased silver plans in 2017; nearly half (47 percent) of small business owners say they currently pay 75-100 percent of their employees' monthly premiums.
- More than 6 in 10 small business owners say they offer health insurance coverage to help them hire and retain the best workers. However, 61 percent say the cost of small business coverage has limited their ability to award employees bonuses or offer raises.

Small Business Health Insurance Costs

In 2017, the nationwide average monthly premium for small business health insurance plans purchased at eHealth was \$1,769. This reflects a decrease from the prior two years, as shown in Chart 1. However, there was also an increase in the number of very small businesses enrolling in group health insurance coverage between 2015 and 2017. The result is a smaller average group size in 2017 (3) as compared with 2015 (4).

This shift may be explained, in part, by more owners of very small businesses turning to the group health insurance market for the first time because of concerns over the instability and cost of coverage in the individual and family market, which increased at twice the rate of small business policies.

Chart 1: Average Monthly Small Business Premiums and Covered Employees



The figures in Chart 1 should not be interpreted to suggest that the cost of small business health insurance declined between 2015 and 2017. When premiums are considered on a per-person basis the average cost of small business health insurance coverage, in fact, increased during the 2015-2017 period.

As demonstrated in Chart 2, the average per-person premium for small business coverage decreased by 1 percent between 2015 and 2016, but increased by 8 percent between 2016 and 2017. Average deductibles decreased by 2 percent between 2016 and 2017.

Chart 2: Average Per-Person Premiums and Deductibles



The Impact of Costs on Small Businesses

In a March 2018 survey of nearly 200 small business owners providing employee health insurance, eHealth found that affordability tops their list of concerns.

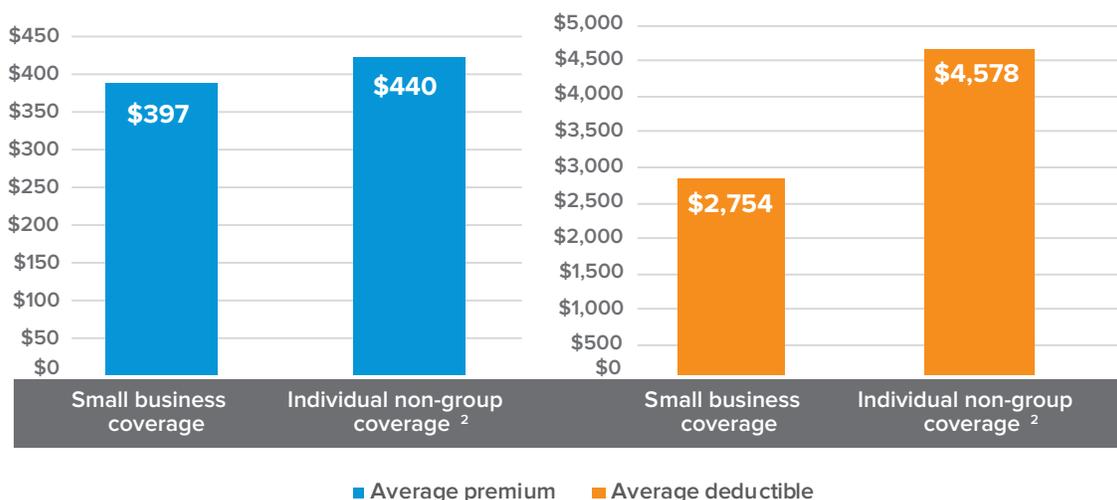
- **Most small businesses worry about the cost of coverage:** 78 percent of respondents were somewhat or very concerned about their ability to continue paying for their employees' health insurance.
- **A moderate increase in premiums would threaten access to coverage:** 62 percent of respondents said a premium increase of 15 percent would make health insurance unaffordable, forcing them to drop coverage or shop for a new plan.
- **The cost of coverage can influence business decisions:** 30 percent of respondents said they have delayed hiring new employees in the past due to the cost of providing employer-sponsored health insurance. Sixty-one percent said that the cost of providing health insurance affects their ability to offer raises and bonuses to workers.
- **Increased premiums lead business owners to shop for new coverage:** 47 percent of respondents said the need to find a lower-premium plan had caused them to shop for a new policy in the past. One-quarter (25 percent) said that when shopping for new coverage they wanted a health plan with lower deductibles, while 23 percent wanted a plan that offered a broader network of medical providers.
- **Most worry about employees being able to afford their share of costs:** 76 percent were somewhat or very concerned about their employees' ability to pay premiums, deductibles and copayments. Nearly two-thirds (64 percent) said their employees earned an annual income of \$50,000 or less.
- **Nearly half of employers cover 75 percent or more of employee premiums:** 47 percent of respondents said they covered between 75 and 100 percent of the monthly premium for their employees; 38 percent said they covered half of their employees' premiums.

The Impact of the ACA: Comparing Small Business and Individual Health Insurance

Prior to the implementation of the Affordable Care Act (the ACA), employer-sponsored health insurance plans typically provided richer benefits, and cost more on average, than coverage in the individual insurance market. Today, both individual and small business health insurance plans must provide coverage for the same suite of ACA-defined “essential health benefits,” but small business group coverage is often less expensive per person.

As shown in Chart 3, the national average monthly premium for a small business health insurance plan per person was \$397 in 2017, 10 percent less than the national average premium of \$440 for individual health insurance coverage for consumers not receiving government subsidies. The national average small business plan deductible was 40 percent lower than the national average deductible for plans in the individual market².

Chart 3: Per-person premiums and deductibles



The Impact of Health Reform on Small Businesses

According to eHealth’s survey, a majority of small business owners do not feel heavily impacted by changing market dynamics and regulations associated with the Affordable Care Act:

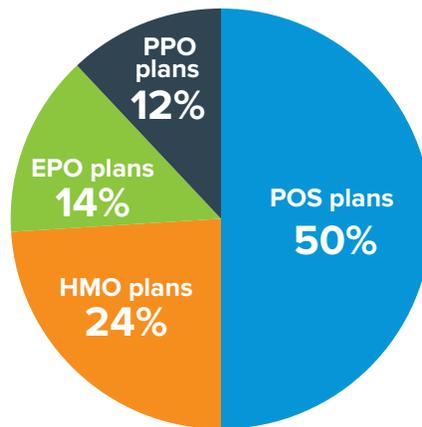
- **Impact of the law was minimal:** Only 21 percent of respondents said they faced increased pressure from employees to provide health insurance when major provisions of the ACA took effect in 2014; 79 percent felt no additional pressures from employees.
- **Repeal of the individual tax penalty won’t change coverage strategies:** Starting in 2019, people will no longer face a tax penalty for going uninsured. Nearly all (95 percent) survey respondents said that the repeal of the tax penalty will not tempt them to stop offering coverage to their workers.
- **Confusion about open enrollment:** Only 42 percent of small business owners say they are aware that companies can enroll in group coverage at any time during the calendar year.

Additional Small Business Shopping Trends and Insights

Half of all small business plans selected by eHealth customers in 2017 were POS (Point of Service) plans, which are often similar to PPO (Preferred Provider Organization) plans, and generally provide enrollees with access to a broader range of health care providers than HMO-style coverage.

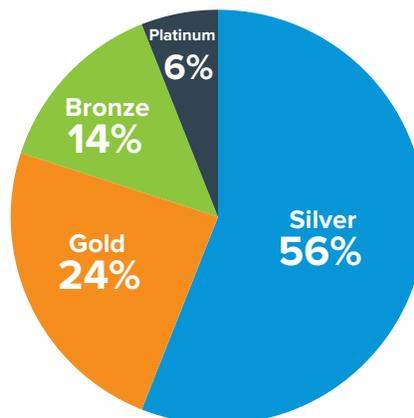
HMO (Health Maintenance Organization) and EPO (Exclusive Provider Organization) plans, which have more limited networks of medical providers, accounted, respectively, for 24 percent and 14 percent of all plans purchased by small businesses in 2017. By contrast, HMO-style plans are the most commonly selected by consumers in the individual health insurance market¹ who earn too much to qualify for government subsidies³.

Chart 4: Most popular small business plan types in 2017



More than half (56 percent) of the small business health insurance plans selected at eHealth in 2017 were silver plans (Chart 5). Bronze plans, which are the most popular among unsubsidized consumers in the individual market², accounted for only 14 percent of small business plans.

Chart 5: Most commonly selected metal levels among small businesses in 2017



Why Small Businesses Offer Coverage

In its survey, eHealth asked why small businesses provide coverage and whether they offer other benefits in addition to health insurance:

- **Offering group health coverage is a business strategy:** 64 percent of respondents said they offered small business coverage because it helps them hire and retain the best workers. This may account, in part, for small businesses favoring silver plans, which offer a higher level of coverage than bronze plans, which are more popular in the individual insurance market.
- **A sense of responsibility toward employees:** 40 percent said they considered it a moral obligation to offer employees health insurance, while more than a quarter (28 percent) said they did so because they did not believe their workers would otherwise be able to afford coverage.
- **More than half offer additional benefits to employees:** 47 percent of respondents said they provide coverage to workers and their dependents. Forty-three percent said they also offered dental coverage, while 30 percent offered vision coverage. Seven percent said they contributed money to their employees' Health Savings Accounts.

Methodology

All cost and plan selection figures are based on small business health insurance plans selected by eHealth shoppers nationwide during the 2017 calendar year, unless otherwise noted. Only health insurance applications for small businesses with fewer than thirty employees were considered in this analysis. Plan type (POS, HMO, etc.) and metal level (bronze, silver, etc.) data are based on submitted applications for small business health insurance plans for which this data was recorded by eHealth. The actual plans and prices available to each shopper depends on various factors, such as demographics and geography. Actual prices and plans available in any specific area or for any specific shopper may vary significantly from the national averages. Survey results are based on a voluntary online survey of small business health insurance shoppers who purchased their coverage through eHealth. The survey was conducted in March of 2018 and a total of 195 responses were collected.

Notes:

¹ Refer to eHealth's [Health Insurance Price Index Report for the 2017 Open Enrollment Period](#), published in May 2017.

² Comparisons with figures from the individually-purchased health insurance market are based on plans selected by individual eHealth shoppers nationwide not receiving government subsidies during the 2018 open enrollment period (November 1 – December 15, 2017).

³ Note that plan type selection trends may be influenced by the mix of plans available in the market. For example, POS and PPO style plans accounted for more of the plans available at eHealth in 2017 compared to HMO plans. In the individual and family health insurance market, relatively few PPO plans are available.

About eHealth

eHealth, Inc. (NASDAQ: EHTH) owns eHealth.com, a leading private online health insurance exchange where individuals, families and small businesses can compare health insurance products from brand-name insurers side by side and purchase and enroll in coverage online and over the phone. eHealth offers thousands of individual, family and small business health plans underwritten by many of the nation's leading health insurance companies. eHealth (through its subsidiaries) is licensed to sell health insurance in all 50 states and the District of Columbia. eHealth also offers educational resources, exceptional telephonic support, and powerful online and pharmacy-based tools to help Medicare beneficiaries navigate Medicare health insurance options, choose the right plan and enroll in select plans online or over the phone through [Medicare.com](#), [eHealthMedicare.com](#), [PlanPrescriber.com](#) and [goMedigap](#).

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