

Small Business Health Insurance Insights

February 2024



Introduction

It's a challenging time for smaller employers. Most say it's harder to find good workers today than it was three years ago. While some simply can't afford it, offering group health insurance helps many to hire and retain quality employees.

Unfortunately, health benefit costs are increasing and many employers may soon reach a breaking point. A relatively modest increase in costs could make it impossible for them to continue offering health coverage to workers.

There are other challenges on the horizon. New federal rules coming into effect this March could recategorize many contract and gig workers as employees, potentially making them also eligible for health benefits.

For those who can't afford group coverage, alternatives like individual health coverage reimbursement arrangements (ICHRAs) are available, but many small businesses don't know about them.

Based on a survey of more than 550 owners and managers of small to mid-sized businesses, eHealth's newest original research sheds fresh light on these and other issues.

Highlights

It's a challenging labor market for smaller employers: 82% of respondents say it's harder to hire and keep good workers today than it was three years ago.

Offering group health coverage is important to small businesses: 92% say it's important, with 69% call it "extremely important."

Health benefits help them hire good workers: 90% of those offering health coverage say it helps them hire and retain the best workers.

Increasing health benefits costs are a big concern: Among those offering coverage, 44% are "very worried" while 37% are "somewhat worried."

Modest premium increases could make coverage unaffordable: 47% say an increase of 15% would make offering coverage unaffordable.

Those not offering coverage can't afford it: 82% of those offering health coverage pay \$200 or more per employee per month; only 14% of those not offering health coverage can afford \$200 per month.

New labor rules categorizing contract workers as employees could have a big impact: 48% of respondents currently employ contractors or gig workers; if these are categorized as employees, businesses with 50+ total employees may be required to offer them group health coverage or an acceptable alternative.

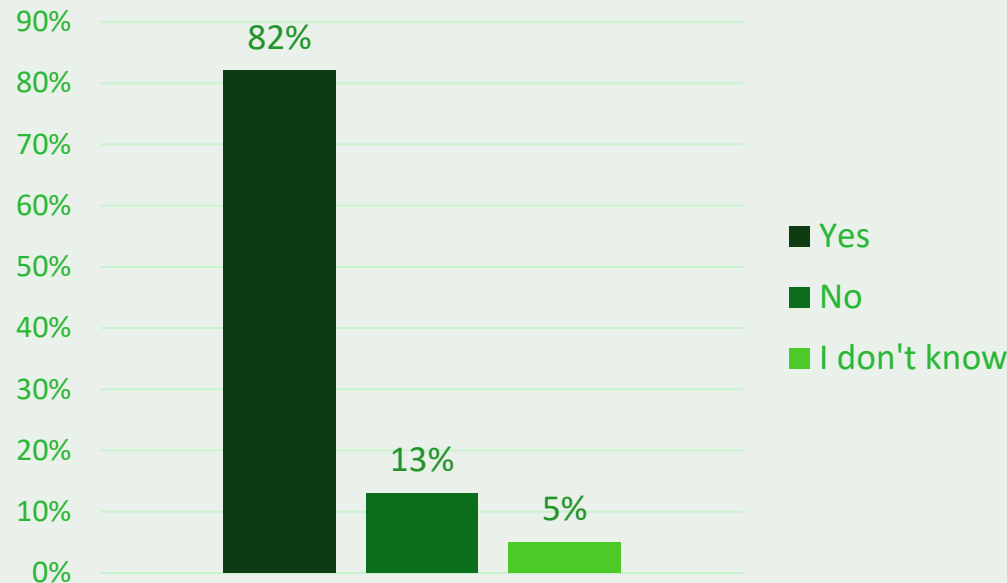
About half of respondents are unaware of group coverage alternatives like ICHRA: 55% are uneducated about ICHRA, which allows employers to provide a monthly stipend for employees to buy coverage on their own.

The Value of Coverage

Most say it's harder to find good employees today than it was three years ago

- 82% of all survey respondents say it's harder to hire and retain good workers today than it was three years ago.
- Only 13% think it's no harder today to hire and retain good workers.

“Is it harder to hire and retain good workers today than it was three years ago?”



Offering health coverage helps small businesses hire and retain good workers

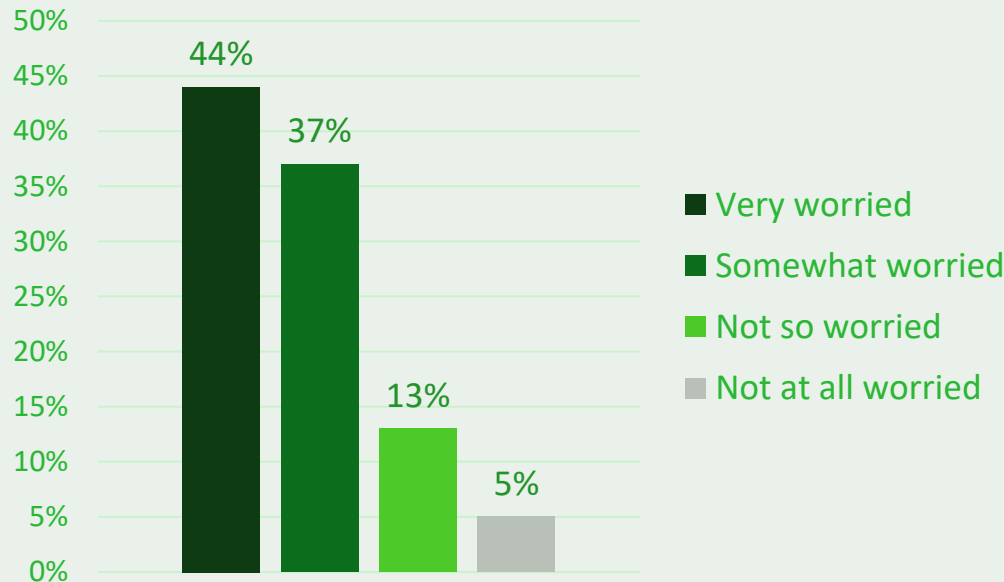
- 92% of all respondents say it's important to offer group health insurance, with 69% calling it “extremely important.”
- 68% of respondents say they currently offer group health coverage to employees.
- Among those offering group coverage, 90% say doing so helps them hire and retain the best workers.

The Cost Challenge

More than eight in 10 worry about the cost of providing group health coverage

- Among those currently sponsoring group health coverage, 44% are “very worried” about the increasing cost of doing so.
- Among those not offering group coverage, the top reason cited (by 43% of respondents) is the cost of coverage.

“How worried are you about the increasing cost of providing group coverage?”



Employer health insurance costs are on the rise in a big way

- It has been estimated that 2024 employer health insurance costs are up 8.5% compared to 2023*.
- That’s the highest increase in employer health benefit costs in the past decade.

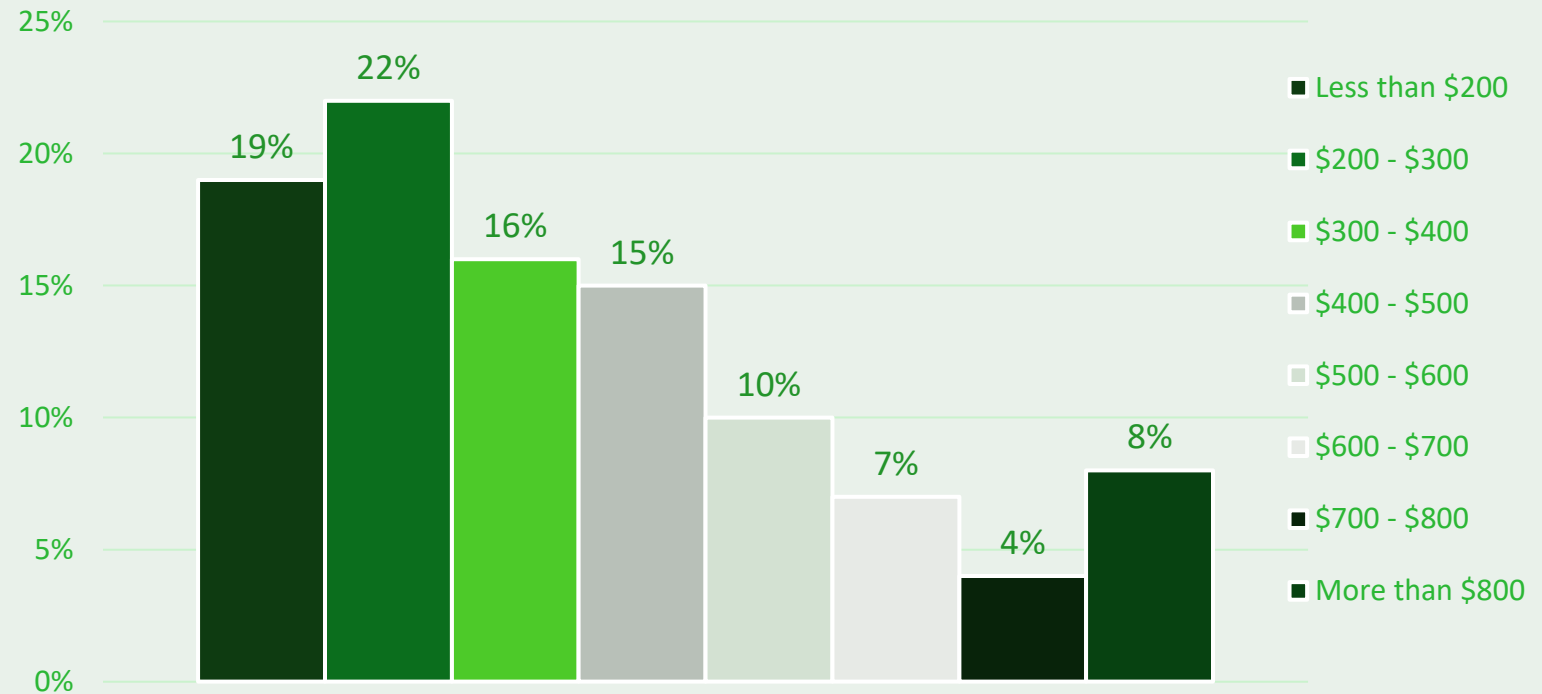
* Source: <https://www.reuters.com/world/us/us-employers-see-biggest-healthcare-cost-jump-decade-2024-2023-09-20/>

What Small Employers Pay for Coverage

More than half spend \$200 to \$500 per month per employee

- Among respondents offering group health plans, 53% pay between \$200 and \$500 per month per employee toward their coverage.
- Nearly three in 10 (29%) spend \$500 or more per month per employee.

“About how much do you pay each month per employee toward group health coverage?”

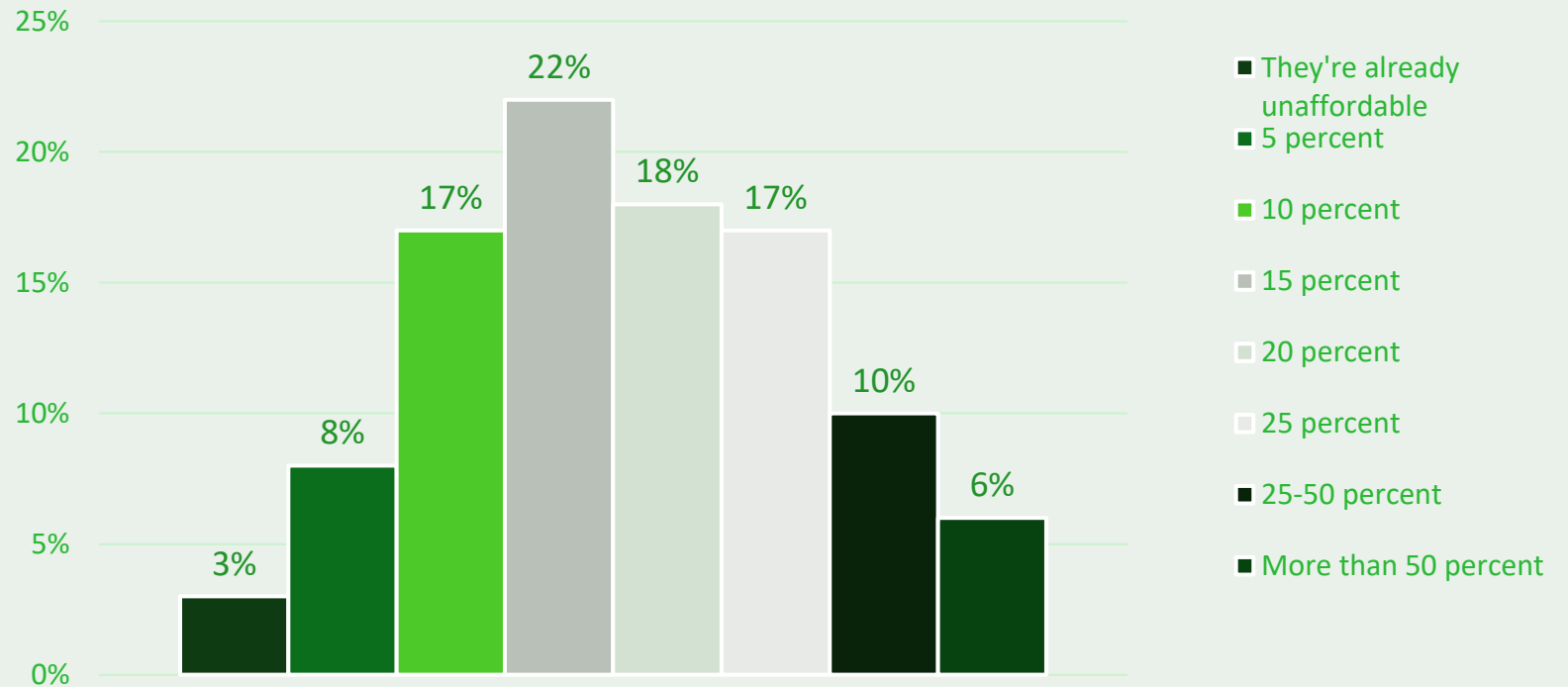


Many Employers Face a Cost Cliff

Nearly half say premium increases of 15% or less would make coverage unaffordable

- Among those offering group health coverage, 47% say a premium increase of 15% would make it unaffordable for them to continue sponsoring a health plan.
- An additional 3% say their monthly premiums are already unaffordable.

“About how much would your premiums have to increase before they became unaffordable?”

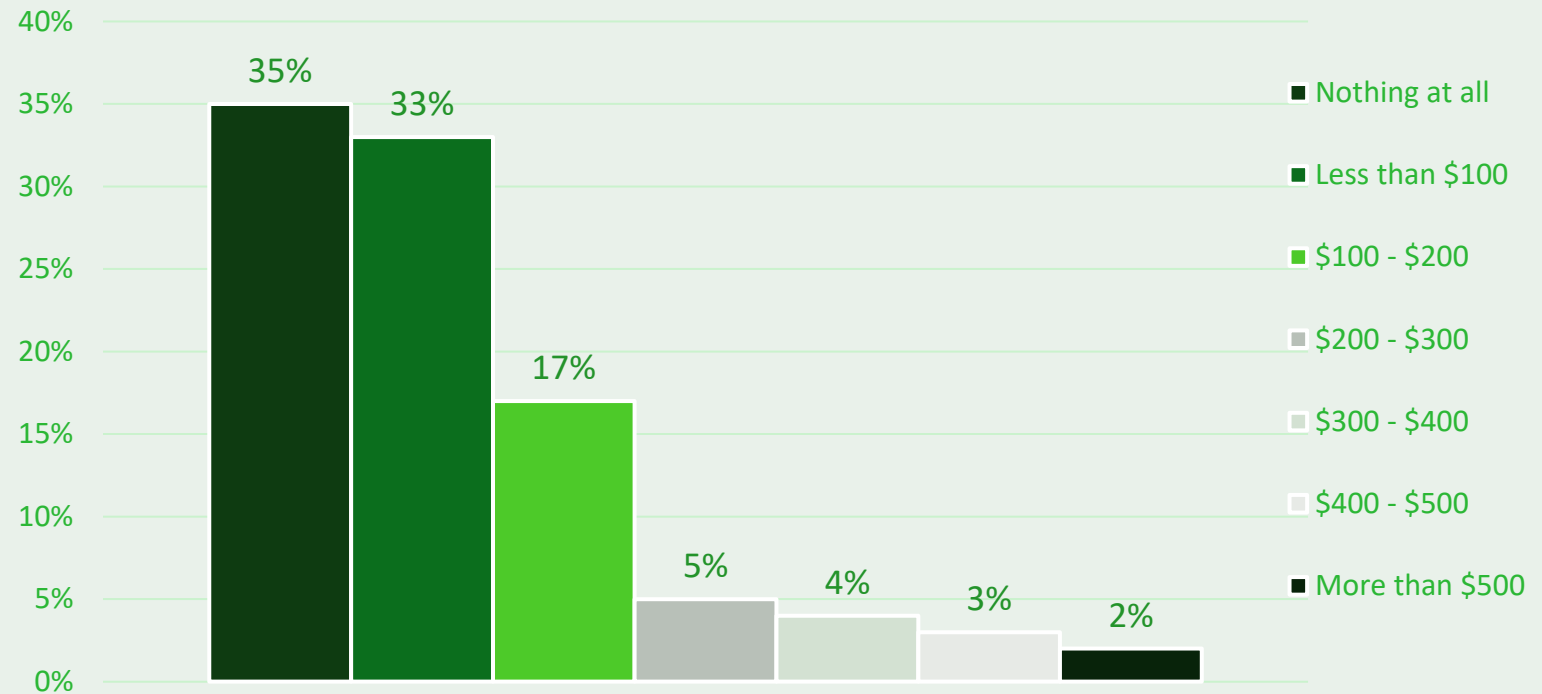


Those Not Offering Coverage Can't Afford Much

Few could afford more than \$100 per month per employee for coverage

- 35% say they cannot afford to contribute anything at all toward employee health insurance costs.
- 33% could spend less than \$100 per employee per month.
- 17% could afford between \$100 and \$200.

“How much could you afford to pay each month per employee toward health coverage?”

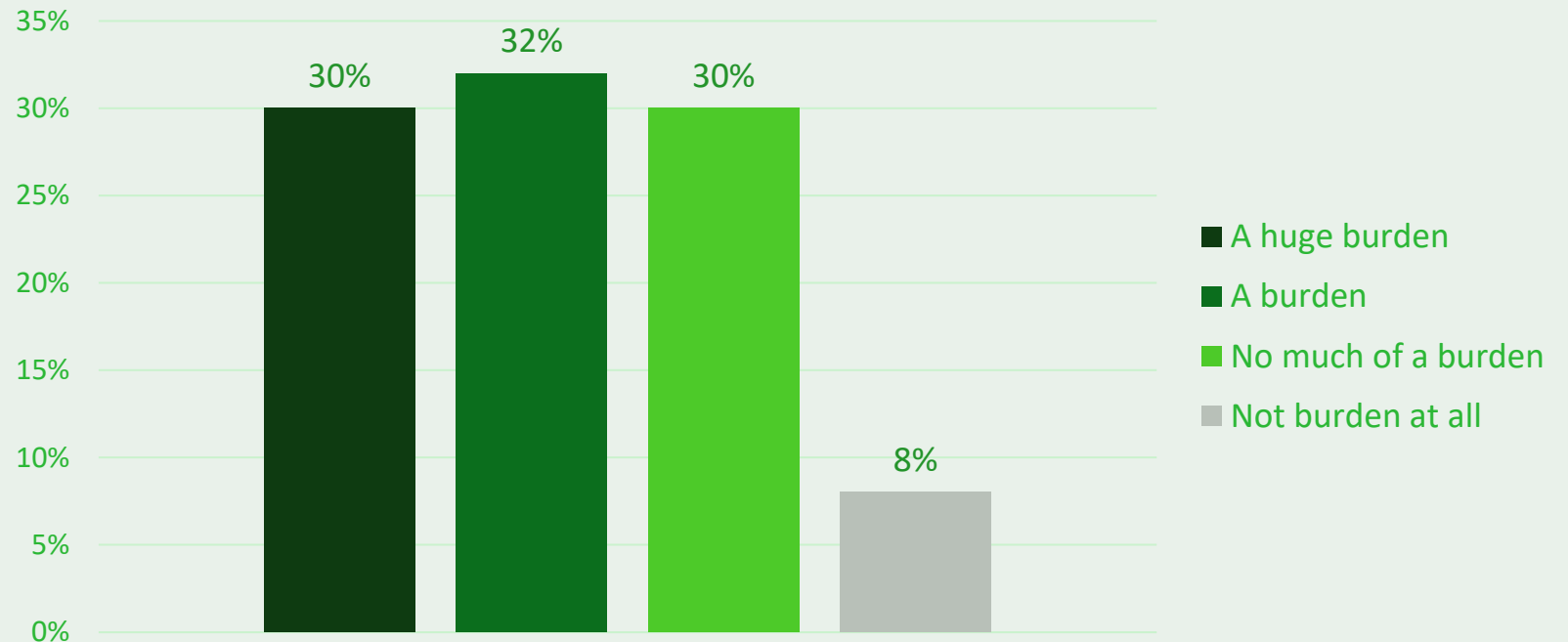


The Burden of Health Benefit Administration

Six in 10 say that sponsoring employer-based health coverage is an administrative burden

- Among those offering group health plans, 30% say it places a “huge burden” on them in terms of benefit administration.
- An additional 32% agree that administering a group plan is an administrative burden.

“How much of an administrative burden is it to you to provide group health coverage?”



Contract/Gig Workers and ICHRA

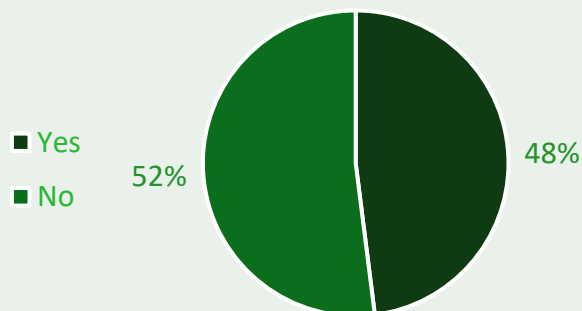
New rules about gig and contract workers could impact many smaller employers

- 48% of all respondents currently employ gig or contract workers.
- Nearly half (47%) are unaware of new federal rules due to take effect March 11, 2024, that may recategorize gig or contract workers as employees, potentially making them eligible for health benefits.

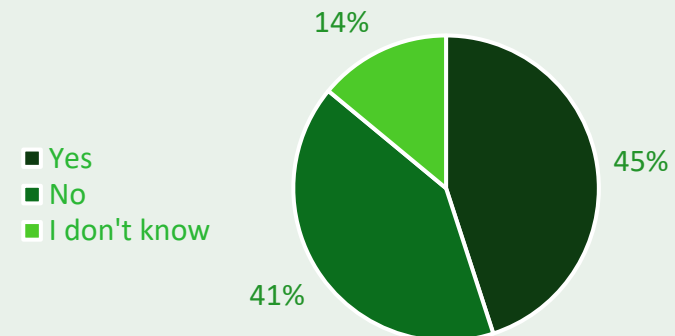
Fewer than half know about individual health coverage reimbursement arrangements (ICHRA)

- 55% of all respondents are unfamiliar with or uninformed about group health insurance alternatives like ICHRA.
- ICHRA allows employers to provide employees with a monthly stipend to help them pay premiums for individually-purchase coverage.

Employ gig/contract workers?



Familiar with ICHRA?



Methodology Note

The findings presented in this report are based on a survey of 560 owners and managers of small to mid-sized companies from the general population; about half (49%) had fewer than 50 employees. The survey was conducted through a third-party survey tool. The survey was conducted in January of 2024. Percentages have been rounded to the nearest full percentage point and may add to slightly more or less than 100% due to rounding.

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