Survey: Healthcare Costs Putting Financial Pressure on NC Small Business

October 2022
About Small Business for America’s Future

- Small Business for America’s Future North Carolina is a coalition of business owners and leaders working to provide small businesses a voice at every level of government.

- We’re committed to ensuring policymakers prioritize Main Street by advancing a just and equitable economic framework that works for small business owners, their employees and their communities.
Key Findings
High Cost of Healthcare Has Real Economic Impacts on NC Small Businesses and Their Employees

From Sept. 27-Oct. 13, 2022, Small Business for America’s Future surveyed 1,209 small business owners in its network about the impact the cost of healthcare coverage has on their business. The survey had 109 North Carolina respondents, whose answers are highlighted in this report. The results show that high healthcare prices are leading North Carolina entrepreneurs to raise prices for goods and services, stifling small business growth and hiring, and cutting into employee paychecks.

- **80%** of small business owners responding have seen the cost of health insurance increase over the last four years. **65%** estimate the yearly increase of their healthcare costs is 10% or more.

- **A third** have increased the prices of their goods or services to offset healthcare costs, **34%** have delayed growth opportunities, and **33%** have held off on hiring new employees.

- **55%** have thought about no longer providing health insurance for their employees due to the rising cost of coverage, and **80%** thought about reducing how much their business contributes to the cost of health insurance.

- **Nearly half** said employees raise the possibility of not being able to afford medical expense.

- **Seven in ten** have forgone offering health insurance altogether, and **73%** said it was because the cost was too high.
NC Small Business Owners Want Lawmakers to do Something About Healthcare Prices—But Worry They Won’t

Ahead of November’s election, the survey shows that North Carolina small business owners want lawmakers to focus on finding solutions to the high cost of healthcare but are worried our leaders will fail to act or not go far enough in addressing the issue.

- **86%** of North Carolina small business owners responding to the survey feel **very strongly** that this is an issue that the nation’s lawmakers need to address.

- **86%** worry our leaders will fail to act or not go far enough in addressing the issue. Specifically:
  - 51% are worried that lawmakers will do nothing to address healthcare costs
  - 35% are worried that lawmakers will not go far enough in addressing healthcare costs
  - **Just 14%** worry that lawmakers will go too far
Survey Results
Q1: Are you a small business owner?

Yes
Q2: Not including yourself, how many people do you employ?
Q3: How does the rising cost of health insurance impact your business? (Select all that apply)

- 45% Have become less competitive in hiring compared with other businesses that provide health benefits
- 34% Delayed growth opportunities for my business such as foregoing purchasing equipment, reducing budget in other areas of the business, or not taking investment opportunities
- 33% Held off on hiring a new employee
- 33% Increased prices of services or goods
- 15% Reduced workforce/laid off an employee
- 15% The impact of rising health insurance costs does not impact my business
- 15% Other (please specify)
Q4: How does the rising cost of health insurance impact your health insurance offerings? (Select all that apply)

<table>
<thead>
<tr>
<th>Impact Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We do not offer health insurance and rising costs puts doing so further out of reach</td>
<td>60%</td>
</tr>
<tr>
<td>Caused me to drop health benefits</td>
<td>24%</td>
</tr>
<tr>
<td>Caused me to shift more health insurance costs onto my employees (i.e., my employees premiums and out-of-pocket costs have increased)</td>
<td>22%</td>
</tr>
<tr>
<td>Caused me to offer fewer health insurance plans</td>
<td>16%</td>
</tr>
<tr>
<td>Caused me to change which health insurance plans I offer my employees to ones with more employee cost sharing (e.g., high deductible health plans (HDHPs))</td>
<td>15%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>13%</td>
</tr>
</tbody>
</table>
Q5: How does the rising cost of health insurance impact your employees? (Select all that apply)

- Employees raise the possibility of not being able to afford medical expenses: 48%
- Employees have less take-home pay because of increasing healthcare costs, deductibles, and premiums: 40%
- Employees are more likely to decline dental and/or vision coverage: 27%
- More employees decline coverage than in the past: 26%
- Other (please specify): 24%
Q6: What is your current primary source of health insurance?

- Private health insurance: 52%
- I don’t have health insurance: 17%
- Private health insurance through a spouse or partner: 10%
- Other forms of coverage (Association Health Plan, etc.): 8%
- Medicare: 6%
- Medicaid: 3%
- Military or veterans coverage: 3%
- COBRA benefits: 0%
Q7: Do you provide health insurance as a benefit to your employees?

- Yes: 28%
- No: 72%
Q8: (If No to Q7) Why do you not provide health insurance to your employees? (Select all that apply)

- 73% The cost of providing health insurance is too high
- 29% Employees would rather have the money that would be spent on insurance go toward pay
- 25% Employees are all contractors
- 16% Administration of health plans is complicated and time consuming
- 11% Other (please specify)
- 10% Not necessary for employee recruitment and retention
Q9: Is the healthcare insurance you provide to your employees mandated by any state or local government?

- Yes: 16%
- No: 84%
Q10: How much of the cost of an employee’s healthcare insurance does your business contribute?
Q11: How do you offer healthcare insurance to your employees?

- Offer coverage directly through a group health plan: 80%
- Other (please specify): 20%
- Put money in an HRA plan: 0%
- Offer an ICHRA or QESHRA: 0%
Q12: Over the last four years, would you say the costs of healthcare insurance for you and/or your employees have increased, decreased or stayed about the same?
Q13: Please estimate the yearly increase of your health care costs of your business:

- 10% or more: 65%
- 7-9%: 20%
- 3-4%: 10%
- 5-6%: 5%
- 0-2%: 0%
Q14: Outside of costs, which one of the following do you consider the biggest challenge when it comes to providing healthcare to your employees? (Select all that apply)

- Lack of choices in healthcare plans: 90%
- Inability to get clear, unbiased information and data to make healthcare purchasing decisions: 50%
- Changing rules and regulations from the government: 40%
- Finding in-network doctors and hospitals: 35%
- Time required for administration and paperwork: 25%
Q15: Have you thought about no longer providing health insurance for your employees due to the rising cost of coverage?
Q16: Have you thought about reducing how much your business contributes to the cost of health insurance due to the rising cost of coverage?

- Yes: 80%
- No: 20%
Q17 - Q23: Below are groups that some people might say are responsible for the rising costs of providing healthcare. For each group, please indicate how much responsibility you think they have for the rising costs of providing healthcare.

<table>
<thead>
<tr>
<th>Group</th>
<th>Very responsible</th>
<th>Somewhat responsible</th>
<th>Not very responsible</th>
<th>Not at all responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health insurance carriers</td>
<td>56%</td>
<td>35%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Hospitals</td>
<td>51%</td>
<td>44%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Doctors and other clinicians</td>
<td>33%</td>
<td>49%</td>
<td>16%</td>
<td>3%</td>
</tr>
<tr>
<td>Pharmaceutical companies</td>
<td>72%</td>
<td>24%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Pharmacy benefit managers, which administer the prescription drug</td>
<td>52%</td>
<td>35%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>programs of health plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The government’s inaction</td>
<td>61%</td>
<td>29%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>The government’s overreach</td>
<td>45%</td>
<td>23%</td>
<td>14%</td>
<td>18%</td>
</tr>
</tbody>
</table>
Q24: Which one of the following do you find the most responsible for the rising costs of providing health care?

- Health insurance carriers: 32%
- Government inaction: 24%
- Pharmaceutical companies: 16%
- Government overreach: 14%
- Hospitals: 7%
- Doctors and other clinicians: 4%
- Pharmacy benefit managers (PBM): 4%
Q25: How important do you feel it is for Congress and the Administration to take action to reduce the cost of healthcare?
Q26: What are you most concerned about when it comes to the federal government’s efforts to reduce the cost of healthcare?
Q27: Below are suggestions some people have made to reform healthcare in this country. For each solution, please indicate whether you support it.

<table>
<thead>
<tr>
<th>Suggestion</th>
<th>Strongly support</th>
<th>Somewhat support</th>
<th>Somewhat oppose</th>
<th>Strongly oppose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Give everyone the option of purchasing a government administered health plan similar to Medicare regardless of employment status</td>
<td>58%</td>
<td>24%</td>
<td>5%</td>
<td>13%</td>
</tr>
<tr>
<td>Adopt policies that eliminate anti-competitive behaviors and patent abuses that extend brand drug monopolies and lead to higher prices</td>
<td>69%</td>
<td>22%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Make it easier to import drugs from Canada</td>
<td>50%</td>
<td>32%</td>
<td>13%</td>
<td>5%</td>
</tr>
<tr>
<td>Limit or prevent consolidation among healthcare providers that limits competition</td>
<td>54%</td>
<td>34%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Limit the prices charged by hospitals with particularly high payment rates to no more than two times what Medicare pays for the service</td>
<td>67%</td>
<td>25%</td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>Reduce regulations governing health insurance carriers and healthcare providers</td>
<td>33%</td>
<td>24%</td>
<td>19%</td>
<td>24%</td>
</tr>
<tr>
<td>Cap out-of-pocket patient expenses</td>
<td>67%</td>
<td>28%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Require hospitals and physicians to publicly disclose their negotiated payment rates to employers and the public</td>
<td>78%</td>
<td>19%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Demographic Data
Q28: What is your age?

- 18-24: 0%
- 25-34: 1%
- 35-50: 30%
- 50-64: 53%
- 65+: 16%
Q29: How do you identify yourself?
Q30: Which best represents how you typically vote in elections?
Q31: Do you more often vote for democrats or republicans?
Q32: What is your gender identity?

- Female: 56%
- Male: 39%
- Transgender: 0%
- Non-binary/ non-conforming: 0%
- Prefer not to say: 5%
Survey
Methodology

Survey report represents the responses of 109 North Carolina small business owners in a national survey of 1,209 small business owners.

Methodology:
Survey Monkey survey of the Small Business for America’s Future small business network
Fielded from Sept. 27-Oct. 13, 2022