



# National Small Business Poll

NFIB National

Volume 7, Issue 3  
2007

## Small Business Poll

*Purchasing Health Insurance*

# NFIB National Small Business Poll

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The *National Small Business Poll* is a series of regularly published survey reports based on data collected from national samples of small-business employers. Eight reports are produced annually with the initial volume published in 2001. The *Poll* is designed to address small-business-oriented topics about which little is known but interest is high. Each survey report treats different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken-out by employee size of firm.

Current individual reports are publicly accessible on the NFIB Web site ([www.nfib.com/research](http://www.nfib.com/research)) without charge. Published (printed) reports can be obtained at \$15 per copy or by subscription (\$100 annually) by writing the *National Small Business Poll*, NFIB Research Foundation, 1201 "F" Street, NW, Suite 200, Washington, DC 20004. The micro-data and supporting documentation are also available for those wishing to conduct further analysis. Academic researchers using these data for public informational purposes, e.g., published articles or public presentations, and NFIB members can obtain them for \$20 per set. The charge for others is \$1,000 per set. It must be emphasized that these data sets do NOT contain information that reveals the identity of any respondent. Custom cross-tabulations will be conducted at cost only for NFIB members on a time available basis. Individuals wishing to obtain a data set(s) should write the *Poll* at the above address identifying the prospective use of the set and the specific set desired.

NFIB National  
Small Business  
Poll



*Purchasing Health Insurance*

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Volume 7, Issue 3  
2007  
ISSN - 1534-8326

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The Voice of Small Business.®

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## *Purchasing Health Insurance*

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# Executive Summary

- Forty-seven (47) percent of small employers offer employee health benefits of which 36 percentage points offer insurance to *all* or *most* full-time employees, 5 percentage points offer insurance to *some* or a *few* full-time employees, and 6 percentage points offer premium reimbursement to employees who purchase health insurance on their own. Thirteen (13) percent purchase other employee health benefits. However, most of these purchases are made by small employers who already offer health insurance and are complementary rather than in lieu of insurance benefits.
- Excluding those who switch insurers or go out of business, very few small employers drop health insurance — about 1 - 2 percent of the population annually. The reason for stagnation or decline in the number of small businesses offering employee health insurance, therefore, appears to be that owners of new firms are increasingly reluctant to offer it.
- The owner or a designee shopped for employee health insurance on behalf of 48 percent of small, employing businesses in the last three years. Representatives of larger, small businesses were substantially more likely to shop than representatives of smaller ones. Those who already offer employee health insurance were substantially more likely to shop than those who offer none.
- The owner or manager is the person most likely to shop on behalf of the firm for employee health insurance (46%). Twenty-three (23) percent delegate the task to an employee and 27 percent delegate it to an insurance agent or broker.
- Small employers shopping for employee health insurance contacted (searched) the following potential sources: the Internet (24%), a network of health care providers (48%), government (16%), business organizations or trade groups (34%), and insurance agents and/or brokers (87%).
- Seventy-one (71) percent offering employee health insurance purchased it most recently through an insurance agent or broker, 11 percent directly from an insurer (not over the Internet), 8 percent through a business organization, 5 percent directly from a network of providers, 2 percent through or from government, and 1 percent directly from an insurer over the Internet.
- Small employers rely heavily on agents or brokers for guidance on health insurance matters. That does not always serve them well. Agents/brokers, for example, did not raise the subject of Health Savings Accounts (HSAs) in 59 percent of cases involving their discussion of employee health insurance with small employers.
- Most small employers directly affected by “pay or play” legislative proposals would adjust primarily by altering the terms of employment. The treatment of part-time employees would have a significant affect on the small business response.
- Forty-three (43) percent of small employers offering employee health insurance (or premium reimbursement) spend 7.5 percent or more of payroll on employee health benefits. That figure translates into about 20 percent of all small employers who allocate at least 7.5 percent of payroll expenditures to employee health. About 5 percent spend 15 percent or more of payroll.

# Purchasing Health Insurance

Employee health insurance is a major business and political issue. Virtually everyone agrees that restraining the rate of health care cost (and resultant health insurance price) increases as well as expanding health insurance coverage are pressing matters. The disagreement occurs over the means to reach those objectives. Small businesses are near the center of this controversy. Their employee health insurance costs are rising much faster than inflation. Further, their health insurance dollar purchases relatively fewer benefits. One result is that small employers are less likely to purchase employee health coverage than large employers or public entities. Recent trends only exacerbate these problems, raising serious question about the long-term viability of the entire employer-based health insurance system. Purchasing Health Insurance is a key background component to the employer-based system of employee health insurance and the subject of this issue of the *National Small Business Poll*.

It is well known that about half of employing small businesses offer employee health insurance and the other half does not. It is also well known that provision of employee health insurance is tied to employee size of business, even within the small business population. The data from this survey reflect both. Forty-seven (47) percent of small employers offer employee health benefits and 52 percent do not (Q#1). Those employing 20 or more people are more than twice as likely to offer employee health benefits as those with fewer than 10. Further, 36 percent offer the benefit to *all* or *most* full-time employees and another 5 percent offer it to *some* or a *few*. However, provision of employee health insurance is not synonymous with provision of employee health benefits. About one in 10 small employers who offer employee health benefits (6%) offer premium reimbursement for health insurance purchased by employees on their own rather than through the business.

## Dropping Insurance or Never Buying It

Good employees are difficult to attract and keep. Provision of benefits is one method

small employers use to compete for them. So, most are reticent to antagonize employees by eliminating a benefit or privilege once given; it is much better for morale to have not given the benefit or privilege in the first place. At the same time, small firms experience considerable turmoil in their early years. They often experience cash flow problems and are reluctant to incur marginally necessary expenses. Just short of half survive the first five years, though the odds of exit in any one year decline progressively as businesses age. These two seemingly unrelated facts lead to the hypothesis that stagnation and/or decline in the number of small businesses offering employee health insurance stems not so much from some small employers dropping insurance altogether as from newcomers introducing the benefit relatively late or not at all. The evidence gathered here suggests that the hypothesis is correct.

Twenty (20) percent of small firms offering employee health insurance started offering the benefit in the last three years (Q#1a). The proportion initiating it compared to those already offering it declines as businesses age even though the total



percentage offering rises. Unfortunately, we have no benchmark to compare these numbers over time. The data cannot tell us, therefore, if small employers are introducing employee health insurance as a benefit later at the present time than they did in the past. However, 9 percent of those not now offering health insurance (5% of all employing, small businesses) offered it within the last three years (Q#1b). About one-third (34%) of those dropping it moved to premium reimbursement rather than eliminating the health benefit altogether. The remainder eliminated the benefit entirely. The consequence is about 3 – 4 percent of all small employers dropped employee health insurance in the last three years (or 1 – 2% a year). One percent annually means virtually no small businesses drop employee health insurance, though they may increase the cost share, etc. If virtually no firm drops employee health insurance and the trend in its provision is stable to lower, new small firms are likely to be slower on the uptake than in the past.

The importance of this point is that it exhibits rising small employer resistance to offering the benefit. As the small business population turns over (and assuming the trend continues), the share of small employers adopting this view will grow. Growing reluctance to initially offer will reduce the pool of potential employees from which to choose, dampening the trend. But, a shrinking pool will also direct small business recruiting efforts toward people who are willing to trade relatively higher wages (or premium reimbursement) for health insurance. This situation is not beneficial to either the small employer or their employees, but it represents the direction current conditions are driving them.

## Shopping for Health Insurance

The overwhelming majority of small employers think that the cost of health insurance is a serious business problem. The logical consequence is that large numbers should be out shopping for a new or different plan, a better buy, or just certainty that they enjoy the best in a series of bad alternatives. Yet, aggressive shopping is not necessarily occurring, particularly among owners of the smallest businesses. Forty-eight (48) percent of all small employers indicate that they or

someone on their behalf shopped for employee health insurance in the last three years (Q#2). Owners of the smallest (1 – 9 employees) shopped in only 43 percent of cases compared to 78 percent among the largest (20 – 250 employees).

Not all small employers with insurance shopped nor did all small employers without insurance not shop. Still, the trend was strongly in that direction. Seventy-five (75) percent offering insurance to *all* or *most* full-time employees shopped, compared to 68 percent offering health insurance to *some* or a *few*. Sixty-one (61) percent offering premium reimbursement shopped, but only 26 percent offering neither did. The reason 61 percent of non-shoppers offering insurance gave for not exploring options was that they simply renewed the policy or plan they had (Q#2a). Apparently, they were satisfied or thought they couldn't do any better. Another 29 percent did not shop because they were locked into a longer term commitment. The latter group seems to have avoided the problem of cost uncertainty, a major concern of small employers.

The two principal reasons small-business owners shopped were to look for a lower per employee cost (45%) and just to see what was available (42%) (Q#4). Only 5 percent searched for a different benefit package and 1 percent a different provider network. Three percent searched specifically to cut administrative cost and hassle. The two major reasons for shopping, one specific and one general, were associated with offers of insurance. Over 60 percent of those offering health insurance shopped for a lower per employee cost, while over 60 percent of those offering premium reimbursement or not offering were looking to see what was available.

### *a. Who Shops*

The most frequent shopper is the business owner or manager. He or she was the shopper on the firm's behalf in 46 percent of cases (Q#3). This was particularly common among owners of the smallest (52%) though much less so among owners of the largest (28%). Still, half engaged either an employee (23%) or an agent or broker (27%) on their behalf. The largest employers were much more likely to use them (an employee, 33% - an agent or broker, 36%) for the

task than the smallest (an employee, 23% - an agent or broker, 27%).

The amount of time small employers spend shopping for employee health insurance (including learning about different plans, analyzing options, making inquiries, and determining employee needs) is limited. The median is about six hours (Q#3a). However, 26 percent spend two hours or less while 13 percent spend 16 hours (2 full days) or more. While the number of respondents is thin, shoppers offering health insurance appear to shop longer than shoppers not offering it and owners of larger firms appear to spend more time than owners of smaller firms. Still, it seems odd that small employers spend so relatively little time on a major cost item with which they are generally displeased. It also challenges the idea that small employers are better consumers of employee health insurance than is the employee him/herself.

The search time data do not account for the time employees or outside agents spend shopping for employee health insurance on the firm's behalf. That means the calculation is dominated by the smallest employers. As a result, the calculation is not equivalent to the total time spent searching for employee health insurance.

### *b. Exploring Options*

Small employers searching for employee health insurance can investigate a broad variety of information sources to help them. One of the most accessible and intriguing is the Internet. Yet, relatively few small employers use the Internet to explore their options for purchasing employee health insurance. Just 24 percent used the Internet for that purpose in the last three years (Q#5). Reversing the typical distribution of Internet use, shoppers from the smallest firms (employing 1 - 9 people) used the Internet more frequently than did others. Twenty-nine (29) percent of owners with the smallest businesses explored the Internet for information on their employee health insurance options compared to 12 percent of owners with the largest. These numbers are somewhat deceptive since owners of larger firms more often delegate responsibility for shopping. Survey respondents may not be familiar with the agent's search process in those instances.

Another area of potential search is directly with a network of health care providers, such as an HMO. Contacting Kaiser directly is an example. Nearly half (48%) took this step in the search process (Q#6). Differing from the Internet, employee size-of-business was not associated with these contacts. But while making this contact twice as frequently as searching the Internet, few small employers actually purchase their health insurance from a provider network.

State governments have increasingly become active in efforts to help small employers obtain employee health insurance. They range from matching services, such as in Maryland, to subsidized products, such as in Tennessee. These activities appear to be generating interest. Sixteen (16) percent of small employers explored options in a government-organized or sponsored small-business health insurance program (Q#7), though a very small percentage participate as will be seen later.

The survey asked those who did not explore the potential government option, why they had not done so. The most common answer (60%) was that they did not know of any (Q#7a). This response reflects the limited help that most states provide; it does not constitute out-of-hand rejection of them. Twenty-one (21) percent do reject them. These owners say that they would not participate in a government program. Nine percent did not explore such options because they believed better options exist in the commercial market and 6 percent think they are not eligible to participate.

Another source of employee health insurance might be a business trade organization or association. About half of all small employers belong to such organizations. Legislation was recently impaled by the Congress that would have allowed associations of small businesses to broaden insurance pools, effectively giving them greater market access. Still, many business groups have arrangements with insurers to sell small employers employee health insurance. Thirty-four (34) percent of small employers explored the trade association option the last time they shopped for health insurance (Q#8).

### *c. Agents and Brokers*

The insurance agent or broker dominates the insurance knowledge base and insurance

transactions of most small employers when they shop for employee health insurance. Eighty-seven (87) percent of those who either have employee health insurance or who have shopped for it in the last three years have discussed their options with an insurance agent or broker (Q#9). The employee size of the employer's enterprise is unrelated to the likelihood of discussing options with these insurance professionals.

Most small employers speak with a limited number of agents or brokers. Thirty-one (31) percent discuss their options with a single agent or broker, though discussions with two (27%) or three (26%) are common (Q#9a). Few shop with more. Owners currently covering all or most full-time employees constitute the group most likely to consult only one.

The relationship between agents/brokers and small employers vary, though the former is obviously always a potential vendor and the latter is always a potential customer. Asymmetric information and a lack of competition can influence and even effectively change those roles, however. Such changes appear more than hypothetical. The small employer appears to dominate the relationship in 15 percent of cases, telling the agent/broker what he/she wanted and giving him/her a budget within which to work (Q#10). Another 22 percent simply told the agent/broker what he wanted. These situations are what one would expect in a vendor/customer relationship except under conditions of scarcity. Save the 3 percent who offered another answer or did not know, the agent/broker appeared to dominate the relationship in the remainder of cases. Twenty-four (24) percent had the agent/broker simply explain the available options. A plurality (35%) had the agent/broker explain the available options and make a recommendation. The result is that in 37 percent of cases, the small employer told the agent/broker what he/she wanted. In 59 percent of cases, the agent/broker told the small employer what was available.

The presence of Health Savings Accounts (HSAs) in discussions of potential employee health insurance puts dominance in the relationship in perspective. Health Savings Accounts (HSAs) are an insurance option that is attractive to some,

though not all, small employers. It offers them the prospect of considerable cost saving and the possibility of offering some employee health insurance coverage when they otherwise might not. So, HSAs should be at least a topic for discussion between agents/brokers in their role of advisor and their small-business customers. That often does not happen. Forty-six (46) percent of small employers report that in such discussions, the topic never arose; HSAs were not mentioned (Q#11). Still, 30 percent thoroughly discussed HSAs and another 18 percent mentioned them. Among the 48 percent who discussed HSAs, however, small employers were the party who raised the subject in one of three cases (Q#11a). Thus, agents/brokers did not raise the HSA option 59 percent of the time; raised it in 29 percent of cases; and, no information is available on the remaining 12 percent. Since agents/brokers have little financial incentive to sell HSAs compared to traditional insurance, the failure of almost three in five to mention the HSA option suggests the agent/broker role is more a role of vendor than a role of advisor/information provider.

Insurance is not the only industry where asymmetric information puts the vendor in an advantageous business position. The vendor is often, if not usually, more likely to know more about the product or service than the customer, particularly when the purchase is infrequent, small or both. The cost of employee health insurance argues that the owner or a designee should not be in a position where the information asymmetries are not as great as they currently appear to be.

#### *d. Employee Input*

A majority of small employers (55%) asked for employee input when shopping for or making decisions about employee health insurance (Q#12). Forty-five (45) percent did not.

According to small employers who engage their employees, employees were more likely to express concern about cost than any other aspect of health insurance. Half (50%) of the small employers who asked for employee input got the general sense that employees most wanted low out-of-pocket costs (Q#12a). They, therefore, preferred things like minimal cost sharing,

modest deductibles and co-pays, etc. Another 20 percent wanted substantial benefits in their plan. The word substantial is open to interpretation, but it is clear this segment of employees focused on the benefit package. Eleven (11) percent just wanted some health insurance coverage. Presumably, this group wanted to be covered in case of a financially consequential event. Such a preference was typically expressed by employees in firms without coverage. Eight percent of small employers discovered no discernable employee consensus in benefit preference. That number appears modest given the diversity of employees in many small businesses, e.g., young and old, and the inability to offer no more than one plan. Another 7 percent reported that their inquiries yielded little or no employee interest in health insurance. Only 2 percent volunteered other interests with a different provider network scarcely ever mentioned.

The reasons small employers gave for not gathering employee input, when they did not, varied much more than the small employer summation of employee preferences. The most frequent response, though registered by only 12 percent, is that they did not want employee input (Q#12b). To paraphrase one employer comment, I pay for it so I decide what it will be. Another 12 percent reported that they did not ask employees because they did not want to raise employee hopes when it was not yet clear what they would do, i.e., have a plan or not. Eight percent thought employees would not know what they wanted (so, why ask?); another 8 percent cited various cost issues; 7 percent believed the decision-time was too short to ask; 6 percent were concerned that employees would have different preferences and the business could only offer a single option; and, another 6 percent had a plan and presumably did not want to change it. The remaining reasons created a groaning smorgasbord as 30 percent were clumped in the “Other” category with no single component constituting even 5 percent.

## **Purchasing Health Insurance**

Seven of 10 (71%) small employers offering employee health insurance purchased their coverage through an insurance agent or broker (Q#13). The next most frequent

source was directly from an insurer, not over the Internet. Still, just 11 percent purchased their employee health insurance in that manner. Through a business organization or trade group was the third most frequent (8%) followed by direct purchase from an association of providers (5%). Finally, only 1 percent purchased theirs directly from an insurer over the Internet.

Though nearly 12 percent of small employers explored government options when searching for employee health insurance, few purchases either directly or indirectly involved government. Just 2 percent of purchases involved some government program such as sponsoring or organizing a program, matching businesses with private insurers, etc. (Q#13a).

While the present focus is on the purchase of employee health insurance, some small employers purchase other forms of employee health care and wellness. Thirteen (13) percent of small employers, including 23 percent employing more than 20 people, provide full-time employees health benefits other than health insurance or premium reimbursement (Q#14). These benefits usually are over-and-above the health insurance or premium reimbursement already given rather than in lieu of them. In other words, they are not substitutes, but complements to the more conventional health benefits offered.

The specific additional health benefits offered vary notably. Various types of reimbursements head the list of the largest share (57%), followed by health club memberships (18%), and paid physicals or screenings, e.g., blood pressure, cholesterol (9%) (Q#14a).

## **The Magic 7.5 Percent of Payroll**

Some authority apparently suggested that 7.5 percent of payroll is the “right” amount for an employer to spend on employee health care benefits. Though entirely arbitrary and arguable, the 7.5 percent figure has found its way into legislative ideas and proposals. So, the question for present purposes becomes: how much are small businesses spending for employee health care?

Forty-three (43) percent of small businesses offering employee health insurance or premium reimbursement spend 7.5 per-

cent or more of payroll on employee health benefits (Q#15). Thirteen (13) percent do not know, underscoring the artificiality of the number. But assuming those not offering either health insurance or premium reimbursement do not have employee health care spending that reaches that magic number, no more than 20 percent of small, employing businesses pass the spending litmus test. Twenty-seven (27) percent of those spending at least 7.5 percent of payroll or about one in 20 small employers actually spend 15 percent or more of payroll on employee health benefits (Q#15a).

Reaching the 7.5 percent spending level is not associated with providing employee health insurance to *all* or *most*, rather than *some* or *few*, of one's full-time employees. But it is associated with premium reimbursement. Those who offer premium reimbursement have proportionally fewer who reach the 7.5 percent threshold than those who offer insurance regardless of the proportion of full-time employees covered.

Treatment of part-time employees and their share of payroll can exercise an enormous influence on calculating the 7.5 percent. Part-time employees can be included, included on a pro-rata basis or excluded. The choice is significant in numerous ways given that 47 percent of small employers not offering employee health insurance currently have part-time employees only (Q#16). These firms accounted for one-third of the employees (full-time and part-time) within small businesses that do not offer health insurance. The figures presented here intuitively seem high. The apparently large percentage could be explained by allowing the respondent to define the term "part-time" and the difference in the concepts of currently having part-time employees only and having only part-time employees throughout the year. Regardless, there is no doubt part-time employees are staples in many small businesses. Keeping the survey numbers and excluding firms currently with part-time employees only, means that the proportion of small employers affected by a 7.5 percent of payroll mandate falls from about 80 percent of the population to between 60 and 65 percent.

The survey asked small employers not offering either employee health insurance or premium reimbursement or whose firms

do not consist entirely of part-time employees their reaction to two basic legislative approaches to increasing health care coverage. The first involved requiring small employers to spend at least 7.5 percent of payroll on employee health benefits or pay a tax amounting to 7.5 percent of payroll. The idea would apply to full-time employees only. The term of art for the generic proposal is "pay or play."

The most frequently mentioned reaction (25%) to a pay or play proposal (7.5% of payroll qualifies as playing) is to shift some full-time employees to part-time work (Q#17). The purpose of shifting an employee(s)' status would be to avoid counting them either for insurance or tax purposes thereby eliminating new payroll costs. The second most frequent reaction (20%) to the pay or play proposal is to increase payroll and health benefits to 7.5 percent of payroll as proponents of such a proposal hope. But, 13 percent indicate that they will eliminate some employees altogether; 13 percent more indicate that they would not increase payroll costs, but would pay for the 7.5 percent in health care by shifting non-health benefits and/or wages into health; and 10 percent would pay the tax. Six percent volunteered other reactions, though they did not include offering health insurance. Still, another 10 percent were not certain what they would do and 4 percent volunteered they would have to close. Those figures sum to 33 percent who would likely institute health coverage and 57 percent who likely would not (10% undecided). They also sum to 30 percent who expect to directly increase their costs in the short term and 54 percent who expect to directly shift the cost to their employees (in the form of less employment and/or reallocated compensation) in the short term (6% not clear and 10% undecided). While it is doubtful those expected compensation shifts could always be made immediately, they will likely be made on an expedited schedule with employees paying the bill sooner rather than later.

Some small employers may combine their first course of action with a second. But in this instance, 48 percent who identified a course of action to the pay or play proposal indicate that they would use only the first one they selected (Q#18). Another

er 9 percent were undecided. The remaining responses were scattered, but more often focused on eliminating employees and/or shifting hours than paying the tax or increasing insurance offerings.

A variant of the prior pay or play proposal would require small employers to offer employee health insurance and pay a specified minimum, in this case 60 percent of the premium, or pay a tax, in this case 7.5 percent of payroll. The choice was presented small employers not offering either employee health insurance or premium reimbursement, or whose firms consist entirely of part-time employees. No option to adjust was included; the choice was simply to buy insurance or pay the tax. Thirty (30) percent selected the purchase health insurance option of which half said they would do so definitely (Q#19). Thirty-six (36) percent chose to pay the tax, 13 percentage points said they would do so definitely. Again, 11 percent did not know what they would do under the circumstances and 5 percent created alternatives to the direct choice. But 20 percent, one in five, volunteered that neither was possible; they could not do either; they would be forced out of business. That is 20 percent of the number who do not already offer or whose firms do not currently consist exclusively of part-time employees. Still, the figure is in the high single digits (6 – 9%) of the small employer population.

### Final Comments

A small, but likely growing, segment of the small-business population is moving toward a defined contribution-type funding mechanism for their employee health insurance. The current survey shows about 6 percent of the population (almost 13 percent of those funding insurance) adopt this course. Some analysts think the practice may not be legal under HIPAA, but without a definitive legal ruling to the contrary the practice will continue and grow. As a practical matter in addition, the practice is almost impossible to regulate as premium reimbursement could appear in an infinite variety of forms. The lack of a tax exclusion for employees (differing from those obtaining insurance through their employer) is a financial handicap, limiting use of the option. Equalizing the tax treatment of

health insurance through private purchase would change the incentive structure both for employers and employees to encourage greater use of it and create more equitable treatment for those exercising the option. But this development, coupled with new firms being more reluctant to introduce the benefit, argues that market conditions are pushing small employers in new and different directions in their relationship to employee health insurance.

Shopping for employee health insurance is infrequent (48% shopped over the last three years) and limited (the median shopping time for owners being about five to six hours) considering the significant costs involved. These responses to a real problem are counter-intuitive. The question then becomes: why? Why is it that small employers do not spend more time and effort shopping when the cost for employee health insurance is so high? There are two likely answers, neither of which is encouraging. The first is that insurance is so complicated and the owner is so busy that they cannot allocate enough time to become sufficiently knowledgeable. One manifestation is that the owner designates someone to shop on the firm's behalf. In 30 percent of cases that person is not associated with the firm and is almost always a vendor. The second is that there is effectively no difference in plans. They all provide about the same benefits and at very high prices. There is no choice, no competition. And, in fact, the small group market in many states has a limited number of competitors and is all but dictated by a Blues monopoly. So, why shop?

The relationship between small-business owners and their insurance agents or brokers, many of which are small-business owners themselves, is curious and not necessarily healthy. Small-business owners typically lack knowledge about insurance and do not help themselves by avoiding that readily available on the Internet to neutralize the information asymmetry. Still, insurance professionals often provide valuable information not unlike other professionals in their specialties. So, the question becomes: when is the agent working in the client's best interests and when is he working in his own? There is no good answer. But the small-business owner must under-

stand enough insurance to suspect he knows the answer in his particular case.

Finally, pay or play legislative proposals are likely to encounter the law of unanticipated consequences, at least for many proponents. When presented a choice that they might face under such proposals, comparatively few small employers chose the insurance option and comparatively many chose the employment reduction (hours or people) option. Moving people to part-time work is a particularly attractive option. In fact, the treatment of part-time employees will have an enormous influence on the response of small-businesses to any pay or play proposal. The treatment of these employees will alter relative costs in one direction or the other, providing small employers' strong relative incentive to change employment among the two groups. If part-time employees are included, small employers have an incentive to eliminate as many part-time employees as possible and spread a fixed health care cost over full-time employees. If part-time employees are excluded, small employers have an incentive to curb full-time employment and transform them into part-time positions. The capacity to eliminate full-time employees and substitute part-timers was illustrated earlier by the number of firms that currently have no full-time employees. This trade-off raises an interesting policy dilemma, one that has drawn little attention to date. But the idea that pay or play will yield huge new numbers of covered employees or vast sums to pay to cover the uninsured is likely a panacea.

# Purchasing Health Insurance

(Please review notes at the table's end.)

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>I. Which BEST describes your current business situation? You:?</b>				
1. Offer employee health insurance to all or most of your full-time employees	30.3%	52.4%	68.8%	36.3%
2. Offer employee health insurance to some or a few of your full-time employees	4.5	7.1	9.1	5.2
3. Pay a fixed dollar benefit to some or all employees for them to buy insurance on their own	5.8	7.1	2.6	5.6
4. Do NOT offer either employee health insurance or an insurance purchase subsidy	58.4	33.3	18.2	52.0
5. (DK/Refuse)	0.6	—	1.3	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752
<b>Ia. Did you start offering employee health insurance in the last three years OR did you offer it before then? (If offers insurance in Q#1.)</b>				
1. In the last three years	21.6%	16.0%	16.9%	19.9%
2. Before then	76.6	82.0	81.4	78.2
3. (Not in business three years)	1.8	2.0	1.7	1.8
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	121	117	155	393
<b>Ib. Though you don't offer it now, did you offer employee health insurance at any time in the last three years? (If provides premium reimbursement or does not offer insurance in Q#1.)</b>				
1. Yes	8.5%	14.7%	—%	9.3%
2. No	91.2	85.3	—	90.5
3. (Not in business three years)	0.2	—	—	0.2
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	227	82	43	352



Employee Size of Firm  
 1-9 emp    10-19 emp    20-249 emp    All Firms

**2. Regardless of whether you purchased it or not, did you or someone on your behalf shop for employee health insurance, either for a new or better plan, at any time in the last three years?**

1. Yes	43.0%	63.5%	77.6%	48.4%
2. No	56.7	35.3	22.4	51.2
3. (DK/Refuse)	0.3	1.2	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

**2a. Since you have employee health insurance, but didn't shop for any in the last three years, did you?: (If offers insurance in Q#1 and did not shop in Q#2.)**

1. Have a long-term contract or commitment making shopping irrelevant	—%	—%	—%	29.3%
2. Renew the insurance policy or plan you had	—	—	—	61.0
3. Drop the insurance policy or plan you had and did not replace	—	—	—	—
4. (Other)	—	—	—	4.9
5. (DK/Refuse)	—	—	—	4.9
Total	100.0%	100.0%	100.0%	100.0%
N	32	32	25	89

**3. Think of the last time you shopped for employee health insurance. Who did the shopping? (If shopped for insurance in Q#2.)**

1. You, personally	51.6%	35.8%	27.6%	45.9%
2. An employee	20.0	24.5	32.8	22.5
3. An agent or broker on the firm's behalf	23.6	32.1	36.2	26.7
4. A consultant, not an agent or broker, on the firm's behalf	3.3	5.7	3.4	3.6
5. (DK/Refuse)	1.5	1.9	—	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	152	127	155	434

**3a. In hours, about how much time did you spend shopping? For example, how many hours did you spend learning about different plans, analyzing options, making inquiries, determining employee needs, etc.? An estimate is fine. (If “you, personally” in Q#3.)**

1. Two hours or less	28.4%	—%	—%	25.6%
2. Three or four hours	17.7	—	—	16.7
3. Five to eight hours	21.7	—	—	23.8
4. Nine to 16 hours	17.0	—	—	17.9
5. > 16 hours	11.3	—	—	12.5
6. (DK/Refuse)	2.8	—	—	3.6
Total	100.0%	100.0%	100.0%	100.0%
N	83	46	43	172

**4. What was the primary reason you or your business shopped? Were you or your business looking for:?**

1. A lower per employee cost	41.2%	58.2%	52.5%	45.4%
2. A different benefit package	5.8	1.8	6.8	5.4
3. To reduce administrative cost and hassle	4.0	1.8	3.4	3.6
4. Different network of health care providers	1.5	1.8	—	1.3
5. Just to see what was available	45.3	34.5	30.5	41.5
6. (Other)	1.1	1.8	5.1	1.8
7. (DK/Refuse)	1.1	—	1.7	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	152	127	155	434

**5. Think of the last time you or your business shopped for employee health insurance. Did you or your business explore options for purchasing employee health insurance on the Internet?**

1. Yes	29.1%	13.0%	11.7%	24.2%
2. No	70.2	83.3	85.0	74.3
3. (DK/Refuse)	0.7	3.7	3.3	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	152	127	155	434

Employee Size of Firm  
 1-9 emp    10-19 emp    20-249 emp    All Firms

**6. The last time you or your business shopped, did you or your business explore options directly with a network of health care providers, such as an HMO?**

1. Yes	47.6%	43.6%	54.2%	48.1%
2. No	45.8	50.9	40.7	45.8
3. (DK/Refuse)	6.5	5.5	5.1	6.2
Total	100.0%	100.0%	100.0%	100.0%
N	152	127	155	434

**7. The last time you or your business shopped, did you or your business explore options in a government-organized or sponsored small-business health insurance program?**

1. Yes	16.7%	16.7%	10.0%	15.7%
2. No	82.5	79.6	85.0	82.5
3. (DK/Refuse)	0.2	3.7	5.0	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	152	127	155	434

**7a. Why didn't you consider a government organized or sponsored small-business health insurance program? Was it because you? (If "No" in Q#7.)**

1. Didn't know of any	58.0%	67.4%	62.0%	59.9%
2. Wasn't eligible to participate	6.6	2.3	8.0	6.3
3. Had better opportunities in the commercial market	8.8	4.7	10.0	8.5
4. Was not interested in a program organized or sponsored by the government	22.1	20.9	16.0	21.0
5. (Other)	4.0	2.3	—	3.1
6. (DK/Refuse)	0.4	2.3	4.0	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	124	99	133	356

**8. The last time you or your business shopped, did you or your business explore options through a business trade organization or association?**

1. Yes	32.0%	45.5%	33.3%	34.1%
2. No	66.2	52.7	61.7	63.6
3. (DK/Refuse)	1.8	1.8	5.0	2.3
Total	100.0%	100.0%	100.0%	100.0%
N	152	127	155	434

**9. The last time you (purchased/shopped) for health insurance did you discuss options with an insurance agent or broker? (If purchased insurance in Q#1 or shopped in Q#2.)**

1. Yes	86.5%	87.3%	89.4%	87.0%
2. No	13.5	11.1	9.1	12.5
3. (DK/Refuse)	—	1.6	1.5	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	170	149	179	490

**9a. With about how many DIFFERENT agents or brokers did you discuss your employee health insurance options? (If discussed with agent or broker in Q#9.)**

1. One	31.5%	32.1%	29.8%	31.3%
2. Two	24.1	34.0	33.3	26.8
3. Three	26.7	22.6	26.3	26.1
4. 4 – 5	8.9	9.5	8.8	8.9
5. > 5	5.2	—	—	3.7
6. (DK/Refuse)	3.7	1.9	1.8	3.2
Total	100.0%	100.0%	100.0%	100.0%
N	147	129	152	428

**10. Which best describes what happened when you discussed purchasing employee health insurance with the agent or broker?**

1. Agent/broker explained your options	20.5%	31.3%	33.3%	24.0%
2. Agent/broker explained your options and recommended a plan for you	34.2	39.6	37.3	35.4
3. You told agent/broker what you wanted	24.4	16.7	17.6	22.2
4. You told agent/broker what you wanted and gave him a budget to work within	17.5	10.4	7.8	15.0
5. (Other)	2.6	—	2.0	2.1
6. (DK/Refuse)	0.9	2.1	2.0	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	128	113	132	373

**11. Did the agent or broker thoroughly explain Health Savings Accounts or HSAs as a health insurance option?**

1. Thoroughly explained HSAs	26.0%	38.2%	37.9%	29.6%
2. Mentioned HSAs	17.8	18.2	19.0	18.1
3. Did not discuss HSAs	50.6	36.4	34.5	46.1
4. (DK/Refuse)	5.6	7.3	8.6	6.3
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>147</b>	<b>129</b>	<b>152</b>	<b>428</b>

**11a. Did you bring up the subject of Health Savings Accounts or did your agent or broker? (If discussed HSAs in Q#11.)**

1. You (Respondent)	33.9%	30.0%	30.3%	32.6%
2. Agent/Broker	61.9	60.0	57.6	60.8
3. (DK/Refuse)	4.2	10.0	12.1	6.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>64</b>	<b>71</b>	<b>83</b>	<b>218</b>

**12. As you consider what to do about employee health insurance, did you talk to your employees about a health plan, the financial trade-offs involved, or other relevant health insurance issues? (If shopped in Q#2, purchased [renewed] or dropped in last three years.)**

1. Yes	54.6%	54.5%	57.4%	55.0%
2. No	45.4	43.9	41.2	44.6
3. (DK/Refuse)	—	1.5	1.5	0.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>177</b>	<b>155</b>	<b>178</b>	<b>510</b>

**12a. What was your general sense of what your employees most wanted in health insurance? Was their priority? (If “Yes” in Q#12.)**

1. Substantial benefits	19.8%	23.5%	20.5%	20.4%
2. Low out-of-pocket costs	49.7	47.1	53.8	50.0
3. Just some health insurance coverage	10.7	11.8	10.3	10.8
4. No consensus on what they wanted most	7.3	11.8	10.3	8.4
5. Little or no interest in health insurance	8.5	5.9	5.1	7.6
6. (Other)	4.0	—	—	2.8
7. (DK/Refuse)	—	—	—	—
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>99</b>	<b>82</b>	<b>101</b>	<b>282</b>

**12b. What was the most important reason you didn't ask? (If "No" in Q#12.)**

1. Didn't want to raise hopes when they were not sure what they would do	13.0%	8.0%	7.4%	11.6%
2. Would have different preferences and could offer at best a single option	4.1	16.0	7.4	6.1
3. Afraid employee preferences would be financially unreasonable	7.5	4.0	7.4	7.1
4. Employees wouldn't know what they preferred	6.2	12.0	11.1	7.6
5. Time was too short to ask	6.2	4.0	11.1	6.6
6. Didn't want employee opinion	11.6	16.0	11.1	12.1
7. Cost issues	8.2	8.0	3.7	7.6
8. Have an existing plan	4.8	8.0	7.4	5.6
9. (Other)	42.2	16.0	26.0	29.9
10. (DK/Refuse)	6.2	8.0	7.4	6.6
Total	100.0%	100.0%	100.0%	100.0%
N	78	70	74	222

**13. Did you eventually purchase your employee health insurance:?**

1. Directly from an insurer over the Internet	1.0%	—%	—%	0.6%
2. Directly from an insurer NOT over the Internet	12.9	8.7	5.3	10.9
3. Through an insurance agent or broker	67.1	73.9	82.5	70.9
4. Directly from an association or network of health care providers	5.2	4.3	7.0	5.4
5. Through a business organization or trade group	10.0	6.5	3.5	8.3
6. (Other)	3.8	4.4	—	3.2
7. (DK/Refuse)	—	2.2	1.8	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	114	111	152	377

Employee Size of Firm  
 1-9 emp    10-19 emp    20-249 emp    All Firms

**13a. Was the government directly or indirectly involved in your purchase, such as sponsoring or organizing the plan, matching you with an insurer, etc.?**

1. Yes	1.4%	2.1%	1.7%	1.6%
2. No	98.6	95.8	98.3	98.1
3. (DK/Refuse)	—	2.1	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	114	111	152	377

**14. Excluding health insurance and premium reimbursements, do you provide full-time employees any type of health benefit, such as reimbursement for certain health care expenses, membership in health clubs, paid screening for specific health conditions, or things of that nature?**

1. Yes	10.9%	15.1%	23.4%	12.6%
2. No	89.1	81.4	76.6	87.1
3. (DK/Refuse)	—	3.5	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

**14a. What do you offer? (Please explain.) (If “Yes” in Q#14.)**

1. Health club membership	—%	—%	—%	17.5%
2. Reimburse some health-related expenses	—	—	—	22.7
3. Paid physicals/screenings	—	—	—	9.3
4. Reimbursement – unspecified	—	—	—	13.4
5. (Other)	—	—	—	34.0
6. (DK/Refuse)	—	—	—	3.1
Total	100.0%	100.0%	100.0%	100.0%
N	35	32	46	113

**15. Do you spend 7.5 percent or more of your payroll on employee health, counting any health insurance you offer or other health-related employee benefits you provide? (If offers health insurance or premium reimbursement in Q#1.)**

1. Yes	42.7%	43.9%	44.3%	43.1%
2. No	45.4	38.6	41.0	43.7
3. (DK/Refuse)	11.9	17.5	14.8	13.2
Total	100.0%	100.0%	100.0%	100.0%
N	140	132	160	432

**15a. Do you spend 15 percent or more of your payroll on employee health, counting any health insurance you offer or other health-related employee benefits you provide? (If “Yes” in Q#15.)**

1. Yes	26.8%	28.0%	28.6%	27.3%
2. No	62.5	60.0	64.3	62.4
3. (DK/Refuse)	10.7	12.0	7.1	10.3
Total	100.0%	100.0%	100.0%	100.0%
N	59	59	70	188

**16. Do you have ONLY part-time employees? (If do not offer employee health insurance or premium reimbursement in Q#1.)**

1. Yes	49.3%	34.5%	—%	47.2%
2. No	50.1	65.5	—	52.3
3. (DK/Refuse)	0.6	—	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	208	69	40	317

**Certain legislative proposals would require all employers provide at least 7.5 percent of their payroll in health care benefits. If employers chose not to spend at least 7.5 percent of their payroll in employee health benefits, they would have to pay a tax amounting to 7.5 percent of payroll. The proposal would apply only to full-time employees.**

**17. If such a proposal became law, what would be your first step to comply with it? Would you? (If do not offer employee health insurance or premium reimbursement in Q#1 and have at least one full-time employee in Q#16.)**

1. Increase payroll costs and make health benefits at least 7.5 percent of payroll	21.2%	—%	—%	20.1%
2. Pay a 7.5 percent payroll tax	10.3	—	—	9.8
3. Make some full-time employees part-timers to avoid counting them under the law	24.5	—	—	24.8
4. Shift non-health employee benefits and/or wages to health benefits, not increasing payroll costs or paying the tax	12.0	—	—	12.6
5. Eliminate some employees	13.6	—	—	12.6
6. (Have to close)	3.8	—	—	4.2
7. (Other)	4.9	—	—	5.6
8. (DK/Refuse)	9.8	—	—	10.3
Total	100.0%	100.0%	100.0%	100.0%
N	109	45	32	186



**Employee Size of Firm**  
**1-9 emp    10-19 emp    20-249 emp    All Firms**

**18. Would you take a second step to help you comply? Would you?:**

1. Increase payroll costs and make health benefits at least 7.5 percent of payroll	6.6%	—%	—%	6.2%
2. Pay a 7.5 percent payroll tax	7.2	—	—	7.8
3. Make some full-time employees part-timers to avoid counting them under the law	9.0	—	—	9.8
4. Shift non-health employee benefits and/or wages to health benefits, not increasing payroll costs or paying the tax	2.4	—	—	3.1
5. Eliminate some employees	10.2	—	—	10.4
6. Wouldn't take additional step	49.7	—	—	48.2
7. (Have to close)	2.4	—	—	2.1
8. (Other)	3.6	—	—	3.6
9. (DK/Refuse)	9.0	—	—	8.8
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	95	40	25	160

**19. If the law required you to either purchase health insurance and pay 60 percent of the premium for your full-time employees OR pay an additional 7.5 percent of payroll, which would you choose?**

1. Definitely purchase health insurance	16.0%	—%	—%	14.8%
2. Probably purchase health insurance	13.6	—	—	14.8
3. Probably pay the tax	22.1	—	—	22.5
4. Definitely pay the tax	14.6	—	—	13.1
5. (Not possible/couldn't do either/out-of-business)	19.2	—	—	19.7
6. (Other)	4.7	—	—	4.5
7. (DK/Refuse)	9.9	—	—	10.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	107	45	32	184

## Demographics

### D1. Which best describes your position in the business?

1. Owner/manager	87.3%	78.8%	77.6%	85.5%
2. Owner, but NOT manager	5.2	7.1	2.6	5.1
3. Manager, but NOT owner	7.5	14.1	19.7	9.4
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

### D2. Is your primary business activity: (NAICs code)

1. Agriculture, forestry, fishing	3.1%	2.5%	1.3%	2.9%
2. Construction	9.8	11.1	7.9	9.8
3. Manufacturing, mining	10.9	8.6	17.1	11.3
4. Wholesale trade	5.0	7.4	9.2	5.6
5. Retail trade	13.4	16.0	10.5	13.4
6. Transportation and warehousing	1.7	3.7	2.6	2.0
7. Information	3.7	2.5	2.6	3.5
8. Finance and insurance	3.0	3.7	5.3	3.3
9. Real estate and rental/leasing	3.9	2.5	—	3.4
10. Professional/scientific/ technical services	18.4	8.6	5.3	16.2
11. Admin. support/waste management services	5.1	3.7	3.9	4.9
12. Educational services	—	—	—	—
13. Health care and social assistance	5.6	7.4	6.6	5.9
14. Arts, entertainment or recreation	1.9	1.2	2.6	1.9
15. Accommodations or food service	4.1	14.8	19.7	6.6
16. Other service, incl. repair, personal service	10.3	6.2	5.3	9.4
17. Other	—	—	—	—
18. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

**Employee Size of Firm**  
**1-9 emp    10-19 emp    20-249 emp    All Firms**

**D3. Over the last two years, have your real volume sales:?**

1. Increased by 30 percent or more	10.8%	10.6%	13.0%	11.0%
2. Increased by 20 to 29 percent	12.5	8.2	13.0	12.1
3. Increased by 10 to 19 percent	28.9	35.3	26.0	29.3
4. Increased by < 10 percent	18.1	22.4	23.4	19.1
5. Decreased by < 10 percent	14.4	7.1	6.5	12.6
6. Decreased by 10 percent or more	5.3	3.5	5.2	5.1
7. (DK/Refuse)	10.0	13.0	13.0	10.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>201</b>	<b>200</b>	<b>752</b>

**D4. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?**

1. Yes	29.2%	7.0%	5.2%	24.5%
2. No	70.0	91.9	93.5	74.6
3. (DK/Refuse)	0.8	1.2	1.3	0.8
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>201</b>	<b>200</b>	<b>752</b>

**D5. How long have you operated this business?**

1. < 6 years	22.9%	22.1%	18.4%	22.4%
2. 6 – 10 years	24.0	18.6	15.8	22.7
3. 11 – 20 years	27.3	17.4	27.6	26.3
4. 21 – 30 years	14.2	24.4	19.7	15.8
5. 31+ years	10.9	15.1	17.1	12.0
6. (DK/Refuse)	0.6	2.3	1.3	0.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>201</b>	<b>200</b>	<b>752</b>

**D6. What is your highest level of formal education?**

1. < H.S.	3.1%	—%	1.3%	2.6%
2. H.S. diploma/GED	17.7	17.6	10.4	17.0
3. Some college or associate's degree	22.4	23.5	19.5	22.3
4. Vocational or technical school degree	3.4	4.7	3.9	3.6
5. College diploma	33.1	32.9	39.0	33.6
6. Advanced or professional degree	19.3	18.8	24.7	19.8
7. (DK/Refuse)	1.0	2.4	1.3	1.2
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>201</b>	<b>200</b>	<b>752</b>

**D7. Please tell me your age**

1. < 25 years	0.3%	—%	1.3%	0.4%
2. 25 – 34 years	9.7	5.9	6.6	9.0
3. 35 – 44 years	16.4	20.0	18.4	17.0
4. 45 – 54 years	37.6	29.4	31.6	35.7
5. 55 – 64 years	24.7	30.6	28.9	25.7
6. 65+ years	9.5	11.8	10.5	9.9
7. (Refuse)	2.3	2.4	2.6	2.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

**D8. What is the zip code of your business? (Regions)**

1. East (zips 010-219)	14.8%	15.3%	22.1%	15.6%
2. South (zips (220-427)	20.4	17.6	19.5	20.0
3. Mid-West (zips 430-567, 600-658)	26.8	28.2	19.5	26.3
4. Central (zips 570-599, 660-898)	22.8	25.9	26.0	23.4
5. West (zips 900-999)	13.4	10.6	10.4	12.8
6. (DK/Refuse)	1.7	2.4	2.6	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

**D9. Urbanization (Derived from zip code.)**

1. Highly Urban	13.1%	12.9%	12.8%	13.1%
2. Urban	19.4	15.3	20.5	19.1
3. Fringe Urban	17.7	18.8	26.9	18.7
4. Small Cities/Towns	17.3	21.2	15.4	17.6
5. Rural	27.3	24.7	16.7	26.0
6. (Not Known)	5.2	7.1	7.7	5.6
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

**Employee Size of Firm**  
**1-9 emp    10-19 emp    20-249 emp    All Firms**

**D10. Compared to your competitors over the last three years, do you think the overall performance of your business in terms of sales and net profits makes it a:?**

1. High performer	15.3%	24.1%	27.6%	17.5%
2. Somewhat high performer	18.9	21.8	26.3	20.0
3. Moderate performer	41.9	42.5	34.2	41.3
4. Somewhat low performer	5.0	2.3	3.9	4.6
5. Low performer	12.1	2.3	2.6	10.1
6. (Haven't been in business three years)	1.1	—	1.3	1.0
7. (DK/Refuse)	5.7	6.8	3.9	5.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>201</b>	<b>200</b>	<b>752</b>

**D11. Sex**

1. Male	82.7%	82.6%	85.5%	82.9%
2. Female	17.3	17.4	14.5	17.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>351</b>	<b>201</b>	<b>200</b>	<b>752</b>

**Table Notes**

1. All percentages appearing are based on **weighted** data.
2. All "Ns" appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ( )s around an answer indicate a volunteered response.

**WARNING** – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.

# Data Collection Methods

The data for this survey report were collected for the NFIB Research Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the *Poll* were conducted between July 10 - August 31, 2007 from a sample of small employers. “Small employer” was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design is typically employed to compensate for the highly

skewed distribution of small-business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger small employers to interview. Since size within the small-business population is often an important differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners are arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 1-9 employee size group.

**Table A1**

## Sample Composition Under Varying Scenarios

Employee Size of Firm	Expected from Random Sample*		Obtained from Stratified Random Sample			
	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	351	46
10-19	82	11	200	27	201	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	752	100

\* Sample universe developed from the Bureau of the Census (2002 data) and published by the Office of Advocacy at the Small Business Administration.

## The Sponsor

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The **NFIB Research Foundation** is a small-business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy related problems small-business owners encounter. Its periodic reports include *Small Business Economic Trends*, *Small Business Problems and Priorities*, and now the *National Small Business Poll*. The Foundation also publishes ad hoc reports on issues of concern to small-business owners. The Foundation's functions were recently transferred from the NFIB Education Foundation.



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