



Better Health Means Better Business

How Minority-Owned Small Businesses Benefit from Health Care Reform

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The implementation of the Affordable Care Act will make a real difference to the competitiveness of minority-owned small businesses, and will help improve access to affordable health care coverage for both small business employers and their employees. For small businesses, low-cost and high-quality health care coverage means increased profits, higher wages, and the ability to attract and retain skilled employees. The cost of sponsoring health insurance for their employees is the top concern for small employers, and racial and ethnic minority entrepreneurs are no exception.

Minority-owned businesses are 5.8 million strong, and growing. Generating over \$1 trillion each year, they continue to build their presence across local communities and 41 countries worldwide. Between 2002 and 2007, the growth of businesses owned by minorities outpaced the growth of nonminority-owned businesses. These entrepreneurs are important contributors to local markets, but they are also crucial to developing national economic competitiveness.

Of minority-owned enterprises, 1.6 million are owned by Asian Americans. Of those businesses with fewer than 100 employees, nearly 2.3 million are owned by Hispanic Americans and nearly 2 million are owned by African Americans. Nearly 2 million minority employers are women. The diversity of minority employers is present in virtually every sector of private industry, yet many of them encounter similar disadvantages.

As racial and ethnic minorities, these employers, employees, and their families experience significant health disparities, which are aggravated when they are unable to access affordable health care coverage. Many small employers are unable to access coverage for themselves or their employees. Because insurers consider these employers “small groups,” small businesses are not as likely as large groups (large employers) to spread risk. Small businesses are often considered high-risk groups, so insurers charge them high costs. These high costs keep many small employers from offering health benefits, and when small business employees do obtain health coverage through their employers, they tend to have less generous plans than employees at large businesses.

In 2010, 99 percent of large employers offered health benefits, but only 76 percent of employers with 10 to 24 employees offered coverage. What’s more, only 59 percent of microbusinesses (businesses with 3 to 10 employees) offered coverage.

Minority employees of small businesses also have much to gain from these reforms. Currently, almost one-third of the uninsured (13 million people) are employees of small businesses. The situation is worse for racial- and ethnic-minority Americans. For example, two out of every three Korean Americans work in small businesses, but only 49 percent have employer health care coverage.

For small employers, competitiveness

The new law responds to small employers' desire to develop their competitive edge and obtain affordable health care coverage for themselves and for their employees by offering tax credits to participate in the state-based health insurance exchanges. This benefit is already in place. Small employers know that offering health coverage helps the bottom line. Businesses with health care coverage are more competitive; this added benefit helps recruit top employees, retain successful ones, and increase the firm's productivity.

Currently, small businesses are eligible for a tax credit of up to 35 percent (25 percent for nonprofits). This credit helps lower the cost of insurance for struggling small businesses, as it is directed at businesses with fewer than 25 employees and average annual wages below \$50,000. The tax credit for these businesses is even more generous in 2014. It will go up to 50 percent (up to 35 percent for nonprofits). These credits will significantly offset the cost of health insurance for these groups.

Racial and ethnic minority employers can also look forward to the exchanges, which will also be implemented in 2014. Businesses with fewer than 100 employees can shop from a menu of insurance options in the exchange. Each option will meet a set of cost and benefit criteria. Providing affordable coverage options is a key goal, so these new marketplaces will pool the risk of participating individuals and businesses, which in turn will lower the overall cost of insurance.

These mechanisms will lower the cost of insurance for employers seeking to provide coverage. Once the exchanges are up and running, researchers estimate that the reforms will reduce small business job losses by as much as 72 percent.

For self-employed individuals and their families, lower costs and fewer disparities

Thanks to the employer tax credit and the low-cost exchange plans, self-employed individuals are expected to obtain coverage at near-universal rates.

Many racial and ethnic minority business owners are self-employed, that is to say, they work for themselves. Currently, self-employed workers comprise 78 percent of small employers. Under the pre-reform system, self-employed workers often struggled to find affordable health care coverage. Some of them joined with an industry association's

sponsored health plan. Others sought coverage in the individual market. For those with pre-existing conditions, only low-quality, high-cost insurance was available. Many individuals in this segment went without coverage altogether.

Health care reform promotes quality coverage for these workers. Right now, if they are unable to obtain coverage because of a pre-existing condition, they can choose to join a high-risk insurance pool, which is available in every state. In 2014, self-employed individuals will also be eligible to shop for health care coverage in the exchanges and receive a tax credit for doing so. Racial and ethnic minorities are currently less likely to have access to employer-sponsored insurance than non-Hispanic whites, so they will benefit substantially from the new exchanges. Researchers project that one in four exchange participants will speak a language other than English at home.

This support system will make insurance more affordable for the individual, and it will accordingly lower costs for his or her business. These provisions reduce the burden of health care costs on minority self-employed individuals, and it thus incorporates underserved racial and ethnic groups into a more robust health care system. The health care reform law is a landmark opportunity to close the disparities gap.

Better health, better business

Despite significant hurdles, racial and ethnic minority entrepreneurs are breaking through the limitations and are defining themselves as a valuable part of American business. These entrepreneurs, especially the self-employed and those with fewer than 100 employees, can benefit from provisions in the health care reform law. The law supports economic competitiveness by allowing small employers to expand their benefits packages. Racial and ethnic groups, whose health may be compromised by considerable disparities, will especially benefit from these provisions.

With these reforms, racial and ethnic minorities in the small business community can enjoy better health and stronger health security. Without health care reform, small businesses will lose \$52.1 billion in profits over the next decade. Lower health care costs and improved health and wellness will make minority-owned small businesses stronger. National interests cannot afford to disadvantage minority entrepreneurs. Ultimately, closing the gap is a business issue, and the health care reform law seeks to do exactly that.