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# Report TO MEMBERS

## Small Businesses Hardest Hit By Soaring Health Costs, Up 100 Percent in Six Years

The cost of health insurance continues to explode, according to the latest survey of NJBIA members. Over the past six years, the average cost of health insurance for New Jersey employers has doubled, the New Jersey Business & Industry Association's (NJBIA) Health Benefits Survey has found.

Our 2008 Health Benefits Survey finds that the average cost of a policy rose by 9.4 percent to \$7,139 per employee in 2007. (This amount excludes any portion of insurance premiums paid by employees.)

This follows an extended period in which the average cost rose by 11 to 15 percent per year. Taking into account the effects of compounding, employer's health insurance costs, on average, have soared by 100 percent since 2002.

Hardest hit by rising costs are small businesses.

In our 2008 survey, the smallest companies, those with 2-19 employees, reported paying not only the highest costs, but also the highest cost increases. They paid an average of \$7,412 per employee for health benefits in 2007, an increase of 10.3 percent from the year before. By comparison, companies with more than 50 employees reported paying an average of \$6,598 per employee, an increase of 7.7 percent.

The relentless climb of health insurance costs has caused many small employers to reluctantly drop health insurance coverage. Seventy-five percent of companies with 2-19 employees reported providing health insurance to

their employees in our 2008 survey, down from 92 percent five years ago.

We are not surprised to find that many small businesses have reached a breaking point. When those that no longer provide coverage were asked why, most stated the obvious: it has become too expensive and they can no longer afford it.

For any company, the decision to drop coverage is a difficult and painful one, especially as employees consider health insurance to be one of their most valuable benefits. But the cost of coverage has become too steep a mountain for many small businesses to climb.

Of the small companies that still provide coverage, many do so at a price. Sixteen percent of companies with 2-19 employees reported limiting pay increases in order to continue to provide coverage in 2007, and another 10 percent reported scaling back their hiring plans.

While the cost of health insurance is a problem in every state, national surveys have consistently ranked New Jersey at or near the top of the 50 states in the cost to employers.

The high cost of purchasing health insurance coverage has become a major policy concern, especially now that many small companies are being priced out of New Jersey's highly regulated, small-group market.

As State and federal policymakers debate the best way to go about reforming our health insurance system, we believe that affordability must be the litmus test of any meaningful reform.

We must ensure that coverage is not only available to all, but is also affordable for all. 