

The Small Business Health Care Crisis in Washington:

A Survey of Pike Place Market Businesses



Julie Chinitz,
Northwest Federation of Community Organizations

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Washington Small Business for Secure Health Care Coalition



We value the work of the Pike Place Market Organizing Committee of the Small Business for Secure Health Care Coalition. Collecting health care surveys from over 100 Pike Place Market small businesses so that they may be analyzed and shared with the public is an enormous and important undertaking.

The availability of affordable, secure, quality health care is an issue that touches all Washingtonians.

The Market, in its centennial year, reflects a diverse and successful community of hardworking business owners and employees whose testimony can shed light on both the broad and subtle aspects of this subject.

Sincerely,

Ron Sims, King County Executive

Nick Licata, President, Seattle City Council

Sally Clark, Member, Seattle City Council

Jackson Schmidt, President,
Pike Place Market Preservation and
Development Authority Council

Carol Binder, Executive Director,
Pike Place Market Preservation and
Development Authority Council

Sharon Mukai, President,
Pike Place Market Daystall Tenants Association

Pike Place Market Constituency



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Cover photo courtesy of Bill Daley.



Introduction

Pike Place Market, now celebrating its 100th year, represents Seattle's best known landmark and draws tourists from across the globe. The United States' oldest continuously operating public market, it receives more than nine million visitors each year. Pike Place Market is also a hub of entrepreneurship for the state of Washington as a whole, with over 100 farmers, 300 businesspeople, and 150 craftspeople selling their products there.¹

The market presents a picture of prosperity that few would question. Thanks in large part to the market's vibrancy, the American Planning Association selected the Pike Place Market Neighborhood as one of the "10 Great Neighborhoods in America."² Yet the people who make the market buzz with economic activity must cope with a challenge faced by millions of small business owners and their employees across the country: lack of affordable, quality health insurance.

Along with increasing numbers of Washington residents, many of the market's small businesspeople are falling into the health gap. They are going without needed health care because they have either no insurance or insurance that does not provide adequate access to services or treatment. The health gap undermines the wellbeing of Pike Place Market small businesses and threatens their financial stability.

This report includes the findings of a survey of over 100 market small businesses. The results indicate that, like other small businesspeople, they are concerned deeply about both the quality and affordability of insurance and believe the state has an important role to play in ensuring access to affordable, comprehensive coverage.

The situation of the market businesses illuminates the difficulties of countless small businesspeople and their employees to find quality,



Donna Seppa
Owner, Seppa Designs

We've been small business owners for 25 years. For all these years, we provided ourselves health insurance – until our monthly premiums reached over \$700 a month, just for catastrophic coverage. Then we found out we were eligible for Washington's Basic Health program – for the half the premium cost, and with better coverage. Somewhat relieved, we signed up for Basic Health and dropped our Premera Blue Cross plan.

After one year of Basic Health coverage, the state informed us we weren't eligible anymore because we earned \$11.00 a month too much. At that point, I wasn't welcome back in the private insurance market because of my diabetes and hypertension – both under control.

In the existing environment, I find it difficult, if not impossible, as a small business owner to be as responsible as we should be for our health insurance.

affordable health insurance. Protecting the physical wellbeing of Washington residents is a central responsibility of the state government, and the growing health gap calls for action on the part of lawmakers.

Background

The Health Gap

The health gap is the widening middle ground between the comprehensive health insurance provided to employees of mostly mid-sized and large businesses and the coverage provided by public programs (like Medicaid) for some very low-income people and some people with serious health conditions. Both small business owners and their employees are falling into the gap.

The health gap affects more than just those who are entirely uninsured. Evidence is growing that many of those with insurance have coverage that is not adequate to meet their needs. A recent national study estimated that, in 2003, almost sixteen million working-age adults were “underinsured” – they had year-round insurance but “inadequate financial protection.” The study found that, compared to those with quality coverage, the underinsured were “significantly more likely to go without care because of cost.”³

Small Business Owners and Employees Are Falling into the Health Gap

Employees of small businesses, whether covered or not, are more likely to find themselves in the health gap. Insurance premiums for small businesses have increased at a faster rate than for large businesses, and the quality of coverage they receive is lower. Their employees receive less coverage for services such as prenatal care and dental benefits, and pay higher deductibles when they receive care.⁴

It is not surprising, then, that small businesses offer insurance less often than do large employers – and that the segment of small businesses that do offer it is shrinking. In Washington, the



DoriLea Gaffaney
Owner, The Soap Box

I've been the owner of the Soap Box for three and a half years. Before the shop changed hands, it was corporately owned, so we had good health insurance. Now, as owner, I have to get insurance by myself, so I got a policy through The National Association of the Self-Employed.

For myself alone I pay \$682 a month for a policy with a \$5,000 annual deductible that still only pays 80 percent after the deductible is paid. Even my prescriptions are out of reach! Although I'm supposed to have prescription drug coverage, it only pays \$20 on a \$300 prescription.

Last February doctors told me I had a tumor on my kidney. I've had to have many tests that the policy doesn't pay for. I've never had creditors coming after me before, but I do now. I'm slowly going bankrupt from medical bills—even though I supposedly have insurance!

I'm supposed to be having more tests and surgery. Instead I've quit answering phone calls from the hospital, cut off my treatment, and stopped taking my prescription. I'm very scared, but I don't know what I can do.

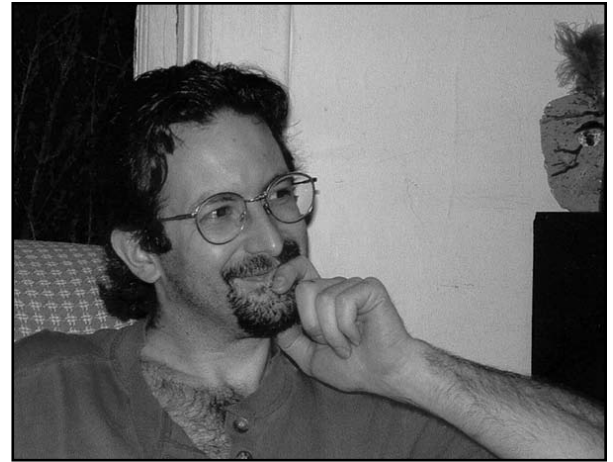
percentage of small businesses offering health insurance dropped 6.1 points between 2000 and 2005. Only 36.2 percent of Washington's private-sector businesses with fewer than 10 employees offer insurance.⁵

Public Response to the Health Gap

Public health insurance programs keep millions from falling into the health gap. For instance, in Washington, Medicaid and the Children's Health Insurance Program provide comprehensive coverage to nearly 900,000 state residents who otherwise would likely be uninsured.⁶ Nonetheless, Washington has not yet expanded public coverage enough to meet the need for it, whether for small businesses and their employees or for the population in general.

In 2006, Washington passed legislation establishing the Health Insurance Partnership. The Partnership is intended to create opportunities for small businesses with at least two employees (one of whom must be a low-income employee) to provide coverage. Among other things, the Partnership will capture some efficiencies of a purchasing pool, charge subsidized premiums, and make coverage portable, meaning that participating employees may maintain coverage after leaving that job.⁷

The Partnership represents a step in resolving the health gap. However, many residents will not be eligible for it, including many self-employed individuals and small business employees whose employers choose not to participate. Furthermore, the premiums and out-of-pocket fees have not been determined. Standards to ensure quality of coverage have not been set, and no public option is included among the choices. Therefore, it is still unknown if coverage through the Partnership will be of sufficient quality and affordability to protect enrollees from the health gap.



Todd Putnam
Employee for 15 years,
Ed Newbold, Wildlife Artist

I've sold art at the same Pike Place Market business for 15 years. I work in the Economy Arcade building, a section we share with a newsstand, food concessions, artists, jewelers, an herbal pharmacy, and many more businesses.

I've heard a lot of stories. One employee at a neighboring business had his girlfriend sew up a large, deep gash in his hand because he had no health insurance. I've also heard more than once about people pulling their own teeth because it cost too much to go to the dentist.

Despite these outstanding questions, the Partnership has the potential to make a significant difference in closing the health gap for small businesses and the public in general.

Methodology

We surveyed 110 businesses in Pike Place Market between July and October 2007. The respondents range in size from sole-proprietors employing no one other than the business owner to one business employing 35 workers. Overall, the businesses have an average of three employees (including the employer). They include retail stores, restaurants/café's, crafts sellers, farmers, and other types of businesses. Collectively, the businesses surveyed provide employment to 320 owners and employees.

The surveys were conducted in person by Pike Place small business owners and employees, with assistance from other community partner organization staff and volunteers, who canvassed the entire market.

The survey consisted primarily of multiple-choice questions, but it also included some open-ended ones. In addition to surveys, key informant interviews were conducted with ten Pike Place Market small businesses. These interviews were designed to elicit discussion of the interviewee's experience with health insurance as a business owner and as a patient. Portions of some of these interviews are included through the report.

Key Findings

The survey revealed several key findings on the experiences of Pike Place Market businesses with the current health insurance system, and their perspectives on how to address problems they experience:

➤ An alarming proportion of Pike Place Market small businesses and their employees are going without insurance. Thirty-nine percent of employees at responding market businesses are uninsured, four times the uninsured rate in the general population in Washington.

Photo: Bill Daley



Linnea Lundmark Lithograph Artist and Printmaker

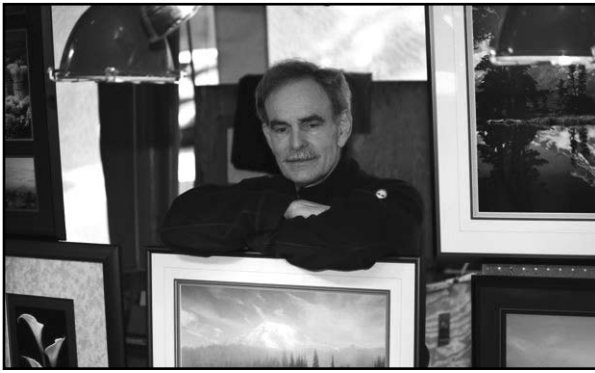
I've been at the market for over 11 years. Every year business gets better, but I get poorer. I have to work harder and harder – 60 plus hours a week – to pay for my rising health insurance costs. I pay almost \$600 a month, just for me.

This year I had to choose between paying my taxes or paying my health insurance. Well, because I have health concerns that must be addressed, I chose to keep my health insurance. But that certainly isn't a workable solution!

➤ Although Pike Place Market businesses have multiple reasons for not purchasing health insurance for themselves and/or their employees, the lack of affordable, quality health insurance was the most pressing reason.

➤ Pike Place Market businesses care about the quality and affordability of coverage. They identify these features as being very important far more frequently than they identify choice among many health insurance plans as being important.

➤ When it comes to health insurance reform, Pike Place Market businesses prefer the option of a statewide purchasing pool with sliding-scale comprehensive coverage over permitting insurers to limit benefits and offer a range of affordability levels.



“I have a successful photography business at the Pike Place Market, with three employees besides myself. I’d love to help them out with health insurance. But, just to cover my own family of four, I pay more than I do for our monthly house mortgage.”

– Rick Morley,
24 years in business at the Pike Place Market

The insurance status of Pike Place Market businesses and their employees

The uninsured rates among Pike Place small business owners and their employees are alarmingly high. Thirty-nine percent of owners and employees at responding market businesses are uninsured, four times the uninsured rate in the general population in Washington (9.3 percent).⁸ Only 19.3 percent of responding owners and their employees receive coverage through the Pike Place business; 41.7 percent have coverage through another source.

Sources of insurance for those owners and employees who are covered outside the Pike Place business include: individual market coverage not provided by the business; coverage through a spouse or parent; public programs (Medicare, Basic Health, and Veteran’s Administration coverage); and insurance provided by other employment. Satisfaction with this insurance is mixed.



Courtney Trapp
Employee for 16 years,
Rick Morley Photography

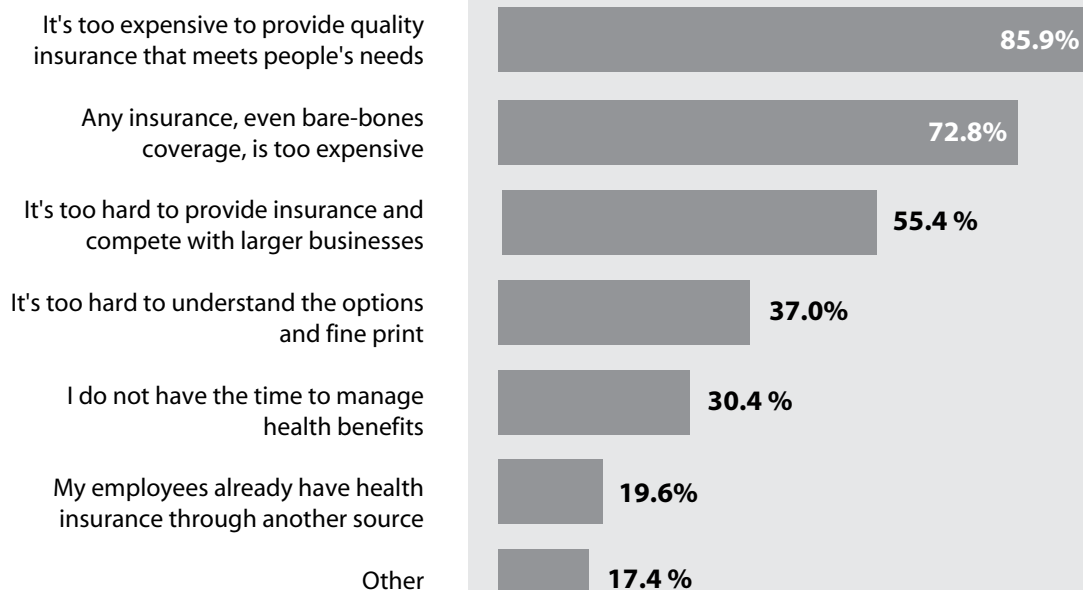
I’m a single mother who had health insurance through my husband’s policy, but I lost my coverage when we split up. Our daughter is still covered under my husband’s plan. Now I only have catastrophic coverage.

I’ve worked 16 years for a successful photographer who would like to help, but if you have a small business, buying health insurance is tremendously expensive – and certainly what’s available out there for me as an individual is nothing, at the price I can afford.

When I had good insurance, I had two knee construction surgeries. I’m on my feet all day at work and my knee is bad again. Often by the end of the day it’s swollen and painful. Yet I can’t afford even a physical, much less treatment for my knee. I need to do my part in supporting our daughter, but if my knee goes out, I won’t be able to work. Where does that put me?

I was also a DES baby – when my mother was pregnant with me, she took anti-miscarriage medication they later found causes health problems. I need check-ups two or three times a year, since I have a higher risk of vaginal, breast, and cervical cancer. When I had insurance, I dutifully went to the doctor. Not any more. The check-ups that could prevent a much more serious problem later are now out of the question for me.

Reasons Pike Place Market Small Businesses Do Not Provide Insurance to All Their Employees



Reasons why Pike Place Market business owners do not currently provide insurance

Among responding Pike Place businesses, 76.8 percent do not currently offer insurance, nor have they offered it in the past two years. The most commonly cited reason for not providing health insurance is that it is “too expensive to provide quality insurance that meets people’s needs” (85.9 percent of respondents). By comparison, 72.8 percent of respondents identified the high cost of any insurance, even bare-bones coverage, as a reason for not offering insurance. This difference suggests that the quality of coverage, as well as affordability, matters to small businesses as they decide whether to purchase insurance.

Pike Place Market business perspectives on the future of health insurance

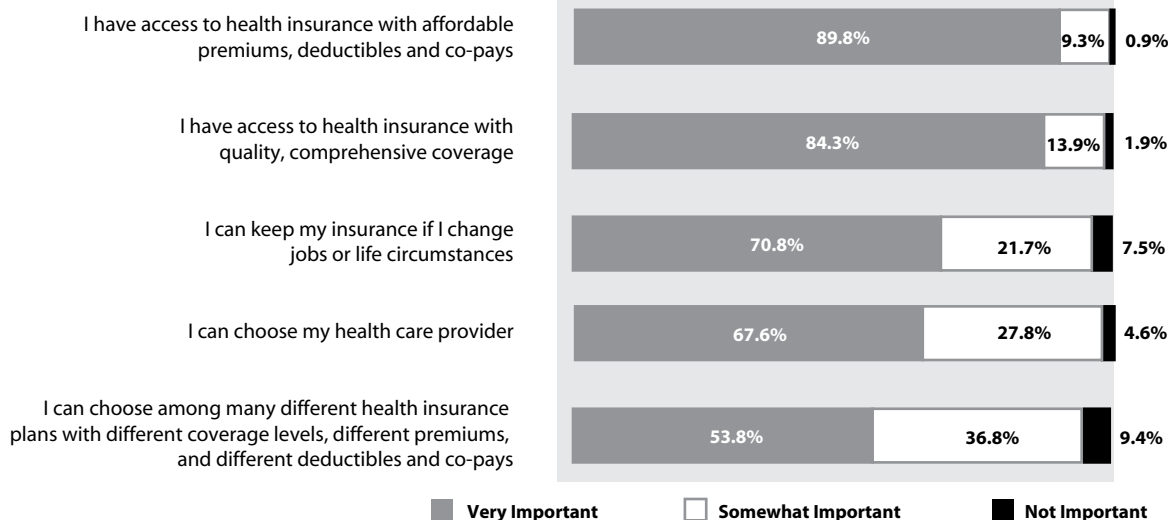
The vast majority of respondents (91.8 percent) believe that it will be “a significant challenge to provide health insurance to [their] employees in

the future.” More than 95 percent said it would be a challenge to provide health insurance because quality insurance that meets people’s needs would be too expensive. Pike Place businesses chose this response at a significantly higher rate than “any insurance, even bare bones coverage, is too expensive,” which was selected by 79.8 percent of respondents.

Pike Place Market business perspectives on the features of health insurance

When it comes to the various features of health insurance, affordability and quality rank highest among the concerns of Pike Place Market businesses. Asked to state which features are “very important,” the small businesses responded as follows: affordability of premiums, co-pays, and deductibles (89.8 percent); quality, comprehensive coverage (84.3 percent); portability of cover-

When You Think About Health Insurance, How Important Are the Following Things?



Semsi Fero
Owner, Fero's Meat Market

For ten years I had union work at Larry's Market where I had good insurance – it was one of my first jobs since moving here from Turkey. Then, in 2004, I opened my own meat shop here at Pike Place Market. I'm here every day in the market, and my business is doing very well.

Still, I don't earn enough money for health insurance. One day I went to the clinic here at the market – I can't go anywhere else, because I'm here all the time – and I got a test for cholesterol. Just that alone cost me \$255!

Staying healthy is important to me. I have two grandchildren, two children, and my wife to live for. Sometimes I feel like I'm in a no-man's land. I make too much money to get any care for free, but not enough to be able to afford it with what I earn.

age (70.8 percent); choice among health care providers (67.6); and, choice among many different health insurance plans with different coverage levels, different premiums, and different deductibles and co-pays (53.8 percent).

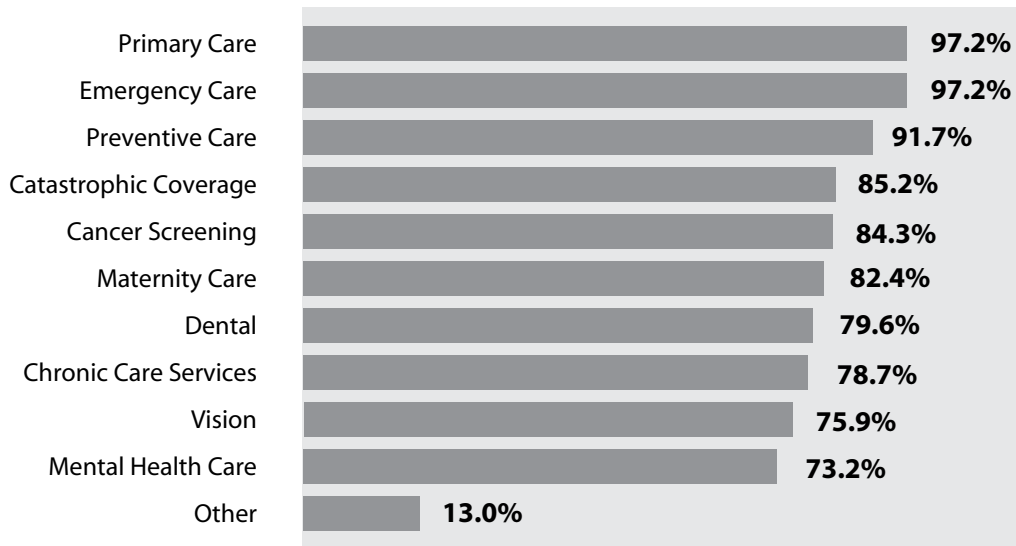
The survey further asked Pike Place Market small businesses which health services they believe should be covered in a standard health plan. Almost all respondents (97.2 percent) chose primary and emergency care, with large majorities selecting cancer screening (84.3 percent), maternity care (82.4), dental (79.6 percent), chronic care (78.7 percent), and vision (75.9 percent), among others.

Pike Place Market business perspectives on limits on health insurer rating and coverage practices

The businesses surveyed believe that the government should be a watchdog over insurer carrier practices, such as limiting insurers' ability to vary premiums based on health status and restrict covered services.

Eighty-five percent (85.1) of respondents believe "insurance companies should be re-

What Do You Believe Should Be in a Standard Insurance Plan?



Juli Chronkite
Employee, Boston Street Baby

I work at the Boston Street Baby and am uninsured. Last year I fell and hit my head. I was taken to the emergency room and given a CT scan. I've had two bills, one for \$1,500, and the other for \$3,000. My employer's husband, who is a lawyer, helped me to arrange a payment plan with the provider – \$100 a month on the first bill. I don't know what the second is really for, but the hospital has a collection agency calling me and demanding more.

I'm almost 25-years-old. I'm already paying \$100 a month for that one accident and am being hounded for more. I just can't afford it.

quired to offer a standard comprehensive level of coverage in their health plans,” compared to 5.6 percent agreeing insurers “should be given greater flexibility to limit the services they cover in the health insurance plans they offer.” About 10 percent are undecided.

The vast majority of respondents (78.5 percent) also prefer government oversight of health carrier rating and financial practices, compared to having no oversight of carrier price-setting (6.5 percent).

Similarly, 87.7 percent of responding small businesses believe that “there should be rules that limit the amount insurance companies can vary or raise premiums based on a person's age, health status, or preexisting conditions.” Slightly below six percent (5.7) believe insurers should be permitted wide variation of prices based on those factors; 6.6 percent are undecided.

Pike Place Market Small Business Preferences on Public Oversight of Health Insurance

Insurance companies should be required to offer a standard comprehensive level of coverage in their health plans

85.1 %

Insurance companies should be given greater flexibility to limit the services they cover in the health insurance plans they offer

5.6 %

There should be rules that limit the amount insurance companies can vary or raise premiums based on a person's age, health status, or pre-existing condition

87.7 %

Insurance companies should be allowed to widely vary prices based on a person's age, health status, and pre-existing conditions

5.7 %

The government should have oversight of insurance companies by setting limits on health insurance premiums, health insurance company administrative costs, and company profits

78.5 %

Health insurance companies should not be allowed to set prices for coverage without public oversight

6.5 %

Pike Place Market business perspectives on health insurance reform

Washington is now considering various approaches to health insurance reform that may affect the availability and quality of coverage for Pike Place Market businesses and their employees.

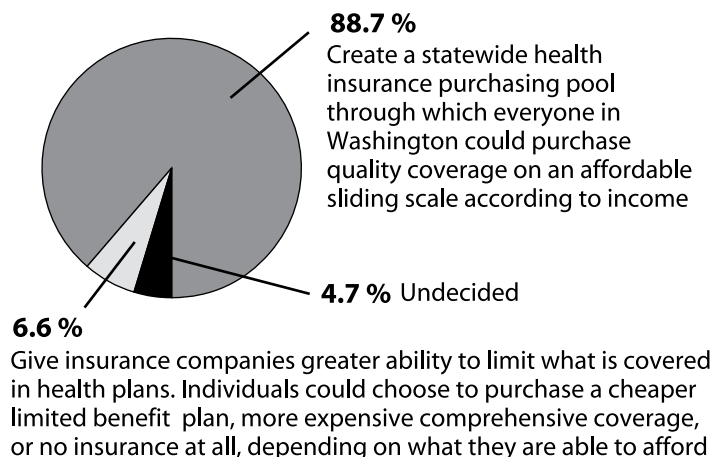
To gauge the perspective of market businesses on possible reform proposals, the survey asked the small businesses which of the following they would prefer:

A. Create a statewide health insurance purchasing pool through which everyone in Washington could purchase quality insurance on an affordable sliding scale according to income.

B. Give insurance companies greater ability to limit what is covered in health plans. Individuals could choose to purchase a cheaper

limited-benefit plan, more expensive comprehensive coverage, or no insurance at all, depending on what they are able to afford. Of the two options, 88.7 percent of respondents selected A, while 6.6 expressed preference for B, and 4.7 percent was undecided.

Pike Place Market Small Business Preference Among Competing Health Care Reform Proposals



Conclusion

Despite the abundance visible at Seattle's Pike Place Market, its small businesses and their employees are falling into the health gap – losing out on needed care because they lack quality, affordable health insurance. Their experiences are consistent with regional and national trends. Across the country, small businesses receive less for their premiums, which they are seeing rise at a higher rate.

Pike Place Market businesses care about the affordability and quality of health insurance above other features, including choice of health plans. They do not believe that allowing health carriers greater latitude to vary rates and costs or limit benefit packages will successfully address the health gap. Instead, they would opt for a public purchasing pool that brings Washington residents together, spreads risk equitably among many, and provides access to affordable comprehensive coverage.

Health is a primary responsibility of state governments. As a result, closing the health gap – and ensuring access to care for all residents of the Washington – should be the top priority for state policy makers. Listening to the concerns and perspectives of Pike Place Market businesses, they should adopt public solutions that put affordable, comprehensive coverage in the hands of small businesses, their employees, and the public in general.



Barb Matteson
Owner, Cosmic Resources

In the summer of 2005, my husband Robert received a diagnosis of diabetes. At that time, we qualified for Washington's Basic Health program, because our revenue was low. His doctor prescribed three different medications, and if there was a side effect to get, Robert got it. By November his immune system was shot, and he developed shingles so bad his right arm became useless.

When Robert hit 62, he applied for Social Security. His first payment put our household \$67 over the income limit for Basic Health. We can't afford \$800 a month for private insurance, so Robert will go uninsured until 2009, when his Medicare kicks in. Until then, we pay out-of-pocket for his medications, lab work, and check-ups. I won't qualify for Medicare until 2017.

Washington has taken some steps to help. Earlier this year, my husband and I signed up for the new Washington State Prescription Drug Program, a bulk purchasing plan. We used to spend \$172.00 for a 90 day supply of diabetes medication. Using the card, we spent \$24.95 for a 60 day supply – a savings of 78 percent! We should be able to join a large purchasing pool for health insurance too.

Recommendations

1

Expand the Health Insurance Partnership.

Creation of the Partnership represents an important step in the right direction toward resolving the health gap. However, many of the businesses surveyed for this report consist of self-employed individuals and will not be eligible to enroll. The Partnership should be open to all individuals, small businesses, and associations. Large businesses should be allowed to join the Partnership as a way to transition away from the employer-based system.

2

Improve the affordability of coverage.

The affordability of premiums and out-of-pocket costs (such as co-pays and deductibles) represent a major concern of Pike Place Market small businesses, reflecting the concerns of other small business owners and the public at large. In order for the Partnership to address the widening health gap, the cost of coverage will have to be affordable on a sliding scale according to income.

3

Guarantee quality coverage.

Pike Place Market merchants also overwhelmingly express the high importance of the quality of their coverage choices. The Partnership should establish standards of quality for coverage, excluding any plans that do not meet those standards, and ensure the availability of a quality public coverage option as an alternative to a private insurance plan. Lawmakers should embrace efforts to expand quality health coverage for small businesses, and resist attempts to limit benefits in the name of expanding choice.

4

Elevate the role of government as a watchdog over private insurers.

From the perspective of Pike Place Market businesses, government should have oversight of the private health insurance market. This oversight applies to rate variation, structuring of benefits packages, risk sharing, and carrier financial practices overall. Washington should implement reasonable rules and increase the oversight capacity of the Office of the Insurance Commissioner to ensure that insurance companies charge fair prices, maintain low overhead costs, and not discriminate in coverage or profit excessively from the system.



Photo: Bill Daley

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About the organizations releasing this report



Northwest Federation of Community Organizations (NWFCO) is a regional federation of three statewide, community-based social and economic justice organizations located in the states of Idaho, Oregon and Washington: Idaho Community Action Network (ICAN), Oregon Action (OA), and Washington Community Action Network (WashingtonCAN). Collectively, these organizations engage in community organizing and coalition building in both rural and metropolitan areas, including Seattle, Boise and Portland. 1265 South Main Street Suite #304, Seattle, WA 98144, Voice: (206) 568-5400, Fax: (206) 568-5444, Web: www.nwfco.org



Washington Small Business for Secure Health Care Coalition.

In 2004, the Washington Small Business for Secure Health Care Coalition was created to be a progressive voice for small

businesses in Washington. This coalition of over 400 small businesses is currently working to create a health care system that is secure, affordable, comprehensive, and accessible to everyone. Small Business for Secure Health Care is currently sponsored by the Washington Community Action Network, the state's largest social, economic, and racial justice organization. 220 South River St, Seattle, WA 98108; telephone: 206-389-0050 x108; website: www.washingtoncan.org/smallbusiness