Strategy I

(Reducing Small Business Employer Costs through State and Multi-State Risk Pools)

Approximately two-thirds of those who are employed, but uninsured, work for companies with 25 or fewer employees. The reasons why employers of small companies do not offer health insurance coverage are several and varied:

1. The premiums are higher per worker because there are fewer employees over which to spread the risk.

2. Small business employers do not benefit as much as employers in large companies from the tax advantages associated with offering health insurance.

3. Small business employers experience higher fixed costs in choosing and administering a health plan than larger organizations.

4. There is a higher rate of turnover and small businesses use a greater number of seasonal and part-time employees; this turnover increases small business cost as compared to larger establishments.

5. Small business employers tend to have narrower profit margins with which to pay the cost of insurance premiums.

6. Workers in low paying jobs prefer to receive cash benefits rather than fringes.

THE NATIONAL PROBLEM

- **37 million Americans are without any health insurance coverage;**
- **19 million Americans who have no health insurance coverage are part of families where at least one person is employed full time;**
- **12 million uninsured persons are children under the age of 18;**
- **Approximately 18 million uninsured persons are between the ages of 17 and 45.**

While these reasons, among others, may make small business employers wary of proposals for a mandated health insurance program, an effective mechanism for reducing the fear of cost is to allow them to participate in an insurance risk pool with other small business employers. Insurance risk pools are designed to bring together a number of small employers into one large group, enabling individuals within the group to obtain lower-cost health insurance premiums. As a collective, employers of small business are able to negotiate less costly insurance plans than would ordinarily be possible on a company-by-company basis. Cleveland, Ohio has taken this approach. Its "Council of Smaller Enterprises" arranges health insurance coverage for 100,000 employees working for 4,500 small businesses.

To gain greater cost benefits, this approach could be applied on a regional basis or involve several states so that more small business could participate with the risk spread over an even larger number of participants.

Strategy II

(Tax Credits for Small Business Employers that Provide Health Insurance Coverage for Their Employees)

As an incentive for small business employers to provide health insurance coverage, a tax credit equal to one-fifth of the cost of the coverage for the first five years of the program could be offered. Some of the revenue lost from this approach could be offset by a slight hike in the Oregon cigarette tax. For example, a one cent increase in the cigarette tax would yield approximately three million dollars in additional revenues.

Tax credits provide an alternative to mandated health insurance coverage and a reason to participate in the design of a plan.

Strategy III

(Using Lottery Dollars to Fund Health Insurance for the Working Poor)

While supporters of every good cause have made proposals for the use of lottery money, designating a portion of these funds for health care makes sense and is consistent with the program's objective: to promote economic development in the State of Oregon. Helping small businesses provide