

2015

# Independent Retail Business Owners' Perceptions of the Patient Protection and Affordable Care Act.

Bradley A. Hall  
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# Walden University

College of Management and Technology

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Bradley Hall

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Walden University  
2015

Abstract

Independent Retail Business Owners' Perceptions  
of the Patient Protection and Affordable Care Act

by

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MBA, University of Tampa, 1999

BBA, Baylor University, 1992

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Management

Walden University

September 2015

## Abstract

Passage of the Patient Protection and Affordable Care Act (PPACA) in 2010 prompted the question of how independent businesses may react to the employer mandate in the PPACA. The law is based on the theory of managed competition and it is more likely to affect businesses with fewer employees than to affect larger businesses that already offer health insurance. The purpose of this quantitative, pre-experimental study was to examine the strategic responses of independent retail business owners in Hillsborough County, Florida, regarding their perceptions of the employer mandate in the PPACA. Before 2014, there was a great deal of non-peer-reviewed literature in which researchers made predictions about the PPACA and independent business perceptions regarding the new law. To determine independent business owners' perceptions of and strategies for addressing the PPACA, a random sample of 309 independent retail businesses in Hillsborough County was invited by e-mail to participate in an online survey. The quantitative data were analyzed using descriptive statistics, *t* tests for hypothesis testing, and chi-square goodness-of-fit analyses to confirm the results without using means. None of the alternative hypotheses were supported, indicating that the PPACA may not have an adverse effect on job creation for independent retail businesses in Hillsborough County. The findings of this study can indirectly promote positive social change by communicating to independent business owners and individuals that healthcare insurance options exist. This question was important to academics and business professionals, because the strategies employed by business owners may affect job creation.

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## Dedication

I would like to dedicate this dissertation to my wife, Alicia Hall, for her unwavering support. Whenever I felt like giving up, she reassured me that I would figure out what I needed to do. I could not have done this without her.

## Acknowledgments

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## Chapter 1: Introduction to the Study

### **Introduction**

In this study, I examined the strategic responses of independent retail businesses in Hillsborough County, Florida, to the employer mandate in the Patient Protection and Affordable Care Act (PPACA) of 2010. Most of the PPACA went into effect in January 2014, although part of the implementation was delayed 1 year (Jarrett, 2013; LaPierre, 2012). The employer mandate requires independent businesses to offer health insurance benefits to their employees or face tax penalties (Crapo, 2013). This mandate is a strategically sound idea for employees who currently lack health insurance benefits, unless it costs them their jobs because of the extra expense to employers. The additional expense of offering health insurance benefits may cause some businesses to contract rather than to expand their workforces. Other businesses may be wholly unaffected because they already offer health insurance. Although a great deal of information exists in the media regarding this new law, the academic literature on the subject is growing but still sparse. Some researchers have discussed the PPACA and made predictions regarding its effect on the United States (Herzlinger, 2010). Others have discussed actions that independent retail businesses can take to adapt to the PPACA (Barry, 2012). However, although the literature on the subject is growing, I have found few articles addressing the question of what independent business owners intend to do regarding the new regulations.

The PPACA is a historic change in the national healthcare systems that will—directly or indirectly—affect every American (O’Connor, 2011). With the U.S. economy

slowly recovering from the economic downturn, any legislation that could adversely affect job creation will naturally be controversial (Holtz-Eakin, 2011a). Independent businesses help create many jobs in the United States, so the reaction of independent businesses to the implementation of the PPACA is important (Monahan, Shah, & Mattare, 2011). Examining the reaction of independent businesses was important because the additional expense of offering health insurance benefits might have caused some businesses to search for other options such as implementing layoffs, accepting fines, or moving people to part-time schedules (Gilliland, 2011). Although businesses with 50 or more employees were given extra time to deal with this change, businesses with fewer than 50 employees were required to comply with the January 1, 2014, deadline (Jarrett, 2013).

### **Background of the Study**

In March of 2010, President Barack Obama signed into law the PPACA (Blank, 2012). The new law was intended to provide health insurance to all Americans in two ways: by requiring employers to provide health insurance benefits to employees and by requiring those not insured to purchase health insurance (LaPierre, 2012). When it was adopted, the PPACA was new legislation, but the idea behind the law had been around since at least the 1920s when advocates for universal healthcare managed to introduce bills to Congress; however, those bills failed (Hacker, 2009).

In researching the effects of the PPACA on businesses for the past 3 years, I found many non-peer-reviewed literature sources regarding independent businesses and the employer mandate, including surveys of independent businesspeople. However, I

found few peer-reviewed articles focusing on the strategic response of independent businesspeople. The amount of scholarly research has grown with time, but, thus far, the studies I found have been localized. However, with every such local study, including my study, researchers contribute to an overall understanding of the effect of this new law on independent businesses.

### **Problem Statement**

The problem I addressed in this study was that because so many new jobs are created by independent employers (Fairlie, Kapur, & Gates, 2010; Monahan et al.2011), it is important to understand employers' perceptions of the PPACA and to identify their planned strategic responses to the employer mandate in the PPACA. However, little objective research to date has focused on employers' responses to the PPACA. A great deal of misinformation about the PPACA law has circulated on the Internet, but little empirical data about businesses' response to the law exist. Authors of blogs and e-mail forwards have made inaccurate and even outright false statements about the contents of the PPACA. Many news stories and magazine articles published about the PPACA and its effect on the economy have reflected popular sentiment. Some politicians and political activists have made outrageous statements about the PPACA, designed to frighten the American people and influence businesses.

Other researchers have shared my amazement that a national policy change affecting 300 million Americans has not been studied more thoroughly prior to implementing the law (Lahm, 2014). When I began this dissertation in December 2011, a gap existed in the academic literature regarding this topic, probably because scholars

were waiting to hear the decision of the Supreme Court in June 2012. In the intervening years, the literature gap has begun to close as more researchers have studied this topic. For example, Boubacar and Foster (2014) published a similar study of small Wisconsin farmers' perceptions of the PPACA. The results of the current study may help other academics and policymakers understand the possible effect of the law on employment trends. Researchers have discussed possible strategies for independent businesses to use in response to the PPACA (Jost, 2012) but have rarely discussed what independent business people intend to do. Determining what independent retail business people plan to do facilitates a comparison between Hillsborough County retailers' planned strategies and those strategies advocated in the literature.

### **Purpose of the Study**

The purpose of this pre-experimental, quantitative study was to examine the strategic responses of independent retail business owners in Hillsborough County, Florida, regarding the employer mandate in the PPACA. Hillsborough County includes the city of Tampa. I administered a survey to a random sample of 309 independent retail business owners or managers. The independent variable for this study was the sample population, representing the "treatment" variable (Trochim & Donnelly, 2008, p. 8). In this case, the treatment was a survey. The dependent variable comprised the independent retail businesses' strategic responses to the PPACA employer mandate. Independent business owners' responses were expected to range from generic to specific, assuming independent business owners planned a strategic response. For example, business owners could choose to do nothing and accept the penalties if they did not offer health insurance

benefits to their employees. If a business had a small number of employees, this could be an inexpensive strategy. Alternatively, if business owners offered health insurance, they could do nothing and continue business as usual. Businesses could use the new health insurance exchanges to find health insurance to offer their employees and possibly benefit from tax credits. Finally, business owners could choose to hire fewer new employees or lay off existing employees. Independent businesses could also choose to use more part-time, seasonal, or independent contract employees. All these responses were quantifiable using a Likert-type scale in a survey of a sample of independent retail businesses in Hillsborough County, Florida. The survey data were analyzed using descriptive statistics, *t* tests, and—because this data could be considered ordinal—the chi-square goodness-of-fit test. I discuss the methodology in depth in Chapter 3.

### **Research Questions and Hypotheses**

In this study, I focused on the following research inquiry: What kind of strategic responses to the employer mandate in the PPACA will independent retail businesses in Hillsborough County, Florida, plan, if any? All businesses in the United States will have a response to the PPACA, even if that response is to do nothing, because the law applies to all businesses. An unintentional response—such as doing nothing because the owner is not aware that a response is necessary—is still a response. A strategic response, for the purpose of this study, was an intentional response.

The null and research hypotheses for this study were as follows:

**Research Question 1:** To what extent did independent retail businesses in Hillsborough County, Florida, plan a strategic response to the employer mandate?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not plan a strategic response to the employer mandate.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did plan a strategic response to the employer mandate.

**Research Question 2:** To what extent did independent retail businesses in Hillsborough County, Florida, intentionally take no action in response to the employer mandate?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not intentionally take action in response to the employer mandate.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did intentionally take action in response to the employer mandate.

**Research Question 3:** To what extent did independent retail, businesses in Hillsborough County, Florida, use the new healthcare exchanges?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not use the new healthcare exchanges.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did use the new healthcare exchanges.

**Research Question 4:** To what extent did independent retail businesses in Hillsborough County, Florida, hire fewer employees or lay off existing employees?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not hire fewer employees or lay off existing employees.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did hire fewer employees or lay off existing employees.

**Research Question 5:** To what extent did independent retail businesses in Hillsborough County, Florida, use more part-time, seasonal, or independent contract employees?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not use more part-time, seasonal, or independent contract employees.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did use more part-time, seasonal, or independent contract employees.

### **Theoretical Framework**

The theoretical base for this study came from the literature. The underlying theory is the theory of managed competition (Tuohy, 2011). In the United States, people have questioned whether universal healthcare is a good idea. Proponents have argued healthcare costs in the United States are higher than the costs of any other Western industrialized nation; in addition, millions of Americans lack health insurance (Filson, Hollingsworth, Skolarus, Clemens, & Hollenbeck, 2011). More than one half of all bankruptcies in the United States have occurred because of unpaid medical bills (PPACA, 2010). In fact, the majority of citizens who declared bankruptcy in 2009 because of unpaid medical bills had health insurance (Allen, 2011). Some researchers have claimed that the pre-PPACA U.S. healthcare system was inhibiting entrepreneurial activity and, therefore, job creation (Fairlie et al., 2010).

Opponents of universal healthcare have cited many reasons why universal healthcare is unacceptable in the United States. Perhaps the greatest challenge to the cause of universal healthcare has emerged from the ideas of Nobel Prize–winning economist Friedrich Hayek (1944, 1994), author of *The Road to Serfdom*. A government-run healthcare system is a hallmark of socialist ideology (Hayek, 1944, 1994), an idea that frightens Americans who remember that Hayek wrote:

It is socialism which has persuaded liberal-minded people to submit once more to that regimentation of economic life which they had overthrown because, in the words of Adam Smith, it puts governments in a position where “to support themselves they are obliged to be oppressive and tyrannical.” (p. 39)

Thus, opponents of universal healthcare fear a government that must continually raise taxes, ration benefits, and curtail individual freedom in the name of collectively shared responsibility (Hayek, 1944, 1994).

The authors of the final version of the PPACA attempted to sidestep these fears by not offering a single-payer government healthcare system but offering instead a regulated marketplace for private insurance (Holloway & Fensholt, 2011). Thus, managed competition seems to be an attempt to allay the fears of people concerning socialism and contain the cost to the taxpayer. The PPACA’s individual mandate bears some resemblance to the healthcare system implemented in the Netherlands in 2006 (Ikkersheim & Koolman, 2012). The PPACA requires a basic minimum coverage policy for all Americans, provided through an employer or purchased individually (LaPierre, 2012).

Despite the PPACA authors' attempts to avoid problems associated with a single-payer healthcare system, the PPACA has political opponents. Some people have perceived that the individual mandate, the portion of the law that requires every American to purchase health insurance, was a dramatic expansion of the power of Congress to regulate interstate commerce (Mears, 2011). The individual mandate was challenged in federal court using the argument that Congress may regulate interstate commerce but cannot regulate a lack of commerce (Mears, 2011). Although this study was concerned with the employer mandate, which was not challenged, waiting for the June 2012 Supreme Court decision may have been a cause for inaction on the part of independent business owners. In the end, the Supreme Court ruled that both the employer mandate and the individual mandate were constitutional (*NFIB v. Sebelius*, 2012b).

Most of the PPACA went into effect on January 1, 2014; however, the employer mandate for businesses with more than 50 employees was extended 1 year (Barry, 2011; Jarrett, 2013). In 2014, businesses were required to offer their employees' basic minimum health insurance benefits (Blumberg, Buettgens, Holahan, & Feder, 2012). Business owners who developed strategies for dealing with the employer mandate implemented those strategies to accommodate the new law and insulate their businesses as much as possible. These businesses may have had positive outcomes based on their chosen strategies.

Business owners who did not develop strategies for addressing the implementation of the employer mandate in the PPACA had to adapt without prior planning. Those business owners were still required to offer health insurance benefits to

their employees or face tax penalties (Gardner et al., 2010). These business owners may have faced negative outcomes, either in higher health insurance premium costs because they had little time to purchase or in penalties incurred for failing to offer the benefits. The costs might not have been any higher than would have been expected had the owners planned for the mandate; however, not including those costs in their budgets may have caused serious problems for many independent business owners.

### **Nature of the Study**

The research approach of this quantitative study consisted of a survey of my own design, administered to a sample of independent retail business owners in Hillsborough County, Florida (see Appendix A). I sent the survey invitation (see Appendix B) to every second business on a purchased list to ensure a random sample. Respondents accessed the survey via Survey Monkey.

The main survey questions were measured on a 5-point Likert-type scale, which facilitated the translation of the collected data into numerical form. I analyzed the data using descriptive statistics, *t* tests, and chi-square goodness-of-fit analysis. The numerical responses for each question were compared one against another to determine the percentages of respondents who answered in a given way. I employed both the chi-square goodness-of-fit test and descriptive statistics and used *t* tests to test the hypotheses. The independent variable for this study was the sample population; the dependent variables were the strategic responses of the sample respondents to the employer mandate survey questions.

The instrument for this study was a 15-question survey of my own design. The first five questions were demographic in nature and used to determine if the respondent was qualified to answer the survey. The demographic questions were also used to determine the sizes of the businesses involved and the incomes of employees. The PPACA (2010) makes a distinction among businesses based on the number of full-time equivalent employees. Therefore, the data collected in Questions 1 through 5 indicated the businesses' eligibility for a tax credit under the new law. In addition, Questions 6 through 15 directly reflected each hypothesis, constituting the dependent variables. To determine the reliability of the instrument, I conducted a pilot study and used the results to calculate the Cronbach's alpha of the scale.

### **Definitions of Terms**

*Employer mandate:* An employer mandate is the portion of the PPACA that requires all businesses to provide health insurance benefits to their employees or face tax penalties (U.S. Congress, 2010).

*Patient Protection and Affordable Care Act (PPACA):* The Patient Protection and Affordable Care Act (PPACA) of 2010 is the new healthcare law in the United States (U.S. Congress, 2010).

*Universal healthcare:* Universal healthcare refers to a given nation's government-planned, though not necessarily government-administered, healthcare system, which is intended to offer medical care to all citizens (Gruber, 2008).

### **Assumptions**

There were several assumptions associated with this study. First, I assumed a statistically significant number of independent retail business owners in Hillsborough County would respond to the survey. Next, I assumed each person who answered the survey was either a business owner or manager or was otherwise authorized to speak for that business. I also assumed all participants had Internet access and an e-mail account. I further assumed the answers given were accurate; that is, the person taking the survey answered each question honestly and seriously.

### **Scope and Delimitations**

The scope of this study comprised a random sample of the independent retail business community in Hillsborough County, Florida. The survey invitation was e-mailed to every second business on a purchased list to ensure a random sample. The list in question included hundreds of businesses; by choosing every second business, I procured a large random sample of businesses. Many small, independent businesses operate in Hillsborough County. The vast majority of those businesses were not surveyed for this study. I used three specific SIC codes to determine my sample population to keep the sample size to a manageable number. The survey returned 30 usable responses.

The delimitations that applied to this study were that most of the businesses that were solicited were not interested in participating. Only owners or managers for those businesses should have received an invitation to take the survey. Finally, I was the only researcher and therefore analyzed all the data and drew all the conclusions.

### **Limitations**

The main limitation of this study was my inability to know the identities of the people who responded to the survey, given that it was an Internet-based instrument. According to the U.S. Census Bureau (2012), more than 31,000 privately owned businesses operated in Hillsborough County in 2009. However, due to time constraints, the size of the sample was necessarily small, and the number of responses received was even smaller. Another limitation of this study was that the study used a survey. Surveys provide useful information, but the data collected are not as rich as data from a qualitative study. Obtaining survey data is often easier than collecting interview data because people are busy, and surveys take less time.

### **Significance of the Study**

The significance of this study derives from the insight garnered from examining the strategic responses of independent retail business owners in Hillsborough County, Florida, to the employer mandate in the PPACA. When I began this dissertation three years ago, I was unable to find many peer-reviewed journal articles addressing the strategic-response intentions of independent retail businesses to the PPACA. There were articles about possible strategies, but I found few researchers studying the actual intentions of independent retail business owners. The number of researchers studying the topic has grown since 2011, but more research on this subject was needed (Lahm, 2014). Questions about the effects of the PPACA on the economy have persisted, especially in Florida. This law affects more than 19 million Floridians, and there is no shortage of nonacademic material on the subject. If scholar-practitioners are supposed to promote

positive social change, then studying the effect of the most far-reaching social change in recent memory is worthwhile.

The lack of peer-reviewed studies on this subject provides a starting point for academics and policymakers to assist independent businesses in developing appropriate strategies for the employer mandate. In addition, this study can indirectly promote positive social change by communicating to independent business owners and individuals that healthcare insurance options exist, thereby perhaps motivating independent employers and their employees to obtain health insurance. Independent business owners may feel more confident about hiring new workers.

### **Summary and Transition**

In this chapter, I introduced this study of the strategic intentions of independent retail business owners in Hillsborough County, Florida, toward the implementation of the employer mandate in the PPACA, most of which went into effect on January 1, 2014 (Barry, 2011). To date, little literature has been written directly on this subject. The problem identified in this research study was that independent business owners might not have prepared strategies in response to the employer mandate in the PPACA. In this study, I surveyed a group of independent retail business owners to determine what these independent business owners were planning to do.

This change in the U.S. healthcare system became necessary because of increasing healthcare costs and the problem of millions of uninsured and underinsured people in the United States (Hacker, 2009). The United States spends more on healthcare than any other nation on Earth, but not everyone in the United States has access to

healthcare (Quadagno, 2010). Perhaps even more of a problem is the poor return on investment Americans receive in terms of their healthcare dollars because of adverse outcomes (Filson et al., 2011). Finally, more than half of all bankruptcies are attributable to catastrophic medical bills that far exceed the insurance coverage of the patient (Allen, 2011). The PPACA is the result of the need to address these problems.

I discussed the theoretical base for this study, which comes from the literature. The PPACA may well straddle the divide between capitalism and socialism. The Supreme Court ruled in June 2012 that the PPACA is constitutional; therefore, inaction on the part of business owners because of fears the Court might strike down the law comprises ineffectual strategy (*NFIB v. Sebelius*, 2012b). However, those for and against the implementation of the PPACA have good reasons for their positions.

The dearth of literature presented an opportunity to lay some groundwork on this issue. The random sample of independent retail business owners in Hillsborough County, Florida, produced some ideas about what these independent business owners thought about the PPACA. This study may give academics, consultants, and policymakers a starting point for helping independent businesses develop appropriate strategies for dealing with the employer mandate. I hope employers will experience a greater confidence in dealing with this issue, resulting in more job opportunities within Hillsborough County and potentially beyond.

Chapter 2 is a literature review, in which I discuss the current literature on the subject of independent businesses and the employer mandate in the PPACA. The literature review begins with an exploration of the background of universal healthcare in

the United States. The review continues with a discussion of the possible implications of the PPACA. The chapter concludes with an examination of the possible strategies that independent retail business owners might decide to employ.

## Chapter 2: Literature Review

### Introduction

This literature review consists primarily of peer-reviewed journal articles focusing on business and healthcare that, with a few exceptions, are no more than 5 years old. The specific topic of interest was the PPACA of 2010. I located these articles by searching the ABI/Inform Global, Management and Organization Studies (SAGE full-text collection), Business Source Complete/Premier, Emerald Management Journals, Science Direct, Google Scholar databases, and others. Search terms used included *small business* and *healthcare*, *small business* and *Obamacare*, *small business* and *PPACA*, *small business* and *national healthcare*, *small business* and *health insurance*, *small business* and *healthcare reform*, and *national healthcare* and *the Netherlands*. The vast majority of these searches returned fewer than 100 articles, and, in fact, seven searches returned no articles at all. Only four searches returned more than 100 articles, and those were either very general searches or originated through Google Scholar.

In addition, I sought to explore a business owner's *strategic response*, which for the purposes of this study was defined as a conscious choice intended to either benefit a business or at least to minimize harm. The articles used for this literature review were primarily from business, economics, and healthcare-oriented journals. Journal authors included both advocates and opponents of the PPACA. The research questions were addressed from the standpoint of accounting, economics, finance, human resources, and healthcare.

I begin the review with a discussion on the background of the issue, the history of the problem, and how the United States compares with other Western industrialized nations on the issue of healthcare. Next, I discuss the new (2006) Dutch system, which may provide a model for the PPACA and its early results. In the review, I also discuss the 2006 Massachusetts healthcare plan, which was used as a model for the PPACA. The next section covers the implications of the PPACA for businesses in the United States, both positive and negative, followed by a discussion of some of the possible strategies that might be employed by independent businesses to respond to the implementation of the PPACA. Because there were originally few peer-reviewed studies directly on the topic of small business owners' strategic response to the PPACA employer mandate, at times I must discuss the topic using related articles.

## **Background**

### **The Politics of Healthcare**

In March 2010, President Obama signed into law the PPACA (Blank, 2012). The law took years to come to fruition. Since at least the 1920's, and occasionally in the last 90 years, U.S. lawmakers have attempted to enact some sort of healthcare reform (Hacker, 2009). With the exception of Medicare in 1965, nearly every attempt to reform the U.S. healthcare system has failed; thus, it is logical to ask why healthcare insurance reform succeeded this time (Joyce, 2011; Woolhandler & Himmelstein, 2011).

Why have so many Americans in recent years believed this type of reform was necessary? There are many reasons why citizens want reform, but perhaps the most important one is the cost (Filson et al., 2011). The United States spent considerably more

per capita in 2010 on healthcare than any other industrialized nation (Filson et al., 2011). Healthcare costs in 2010 were rising faster than healthcare costs in any other nation (Filson et al., 2011). Unlike other industrialized nations, the United States in 2010 did not have full coverage for all citizens (Blank, 2012). Approximately 50 million people were uninsured in the United States in 2010, and approximately 25 million were underinsured (Filson et al., 2011). In 2007, 78% of those who declared bankruptcy because of medical bills had health insurance (Joyce, 2011; Woolhandler & Himmelstein, 2011).

Part of the disagreement between proponents and detractors of universal healthcare in the United States comes from differences in philosophy. The political left perceive healthcare as a right similar to the right to freedom of speech. Those on the political right, in contrast, consider healthcare a service to be bought and sold, requiring no more need for a governmental guarantee than the purchase of any other commodity would require (Quadagno, 2010). This fundamental difference made it difficult for the two sides to compromise on this issue (Quadagno, 2010). Among healthcare reformers, some thought prompt action was required to pass meaningful reform, because history has shown reform is possible at certain times, whether that reform was for civil rights, military buildup, or healthcare (Cutler, 2010). When the time was right, reformers needed to act quickly, which was what happened with Medicare in 1965 (Cutler, 2010).

Because the political left considered healthcare to be a right, healthcare reform was for them a moral issue (Morone & Blumenthal, 2008). As such, technical and economic arguments in favor of reform would not help proponents (Morone & Blumenthal, 2008). Compromise was important; passing legislation was desirable, but

keeping the legislation after power shifts back to the political right was equally important (Morone & Blumenthal, 2008). Reformers needed to think long-term because they would not always be in control (Morone & Blumenthal, 2008).

Some have argued the most important part of healthcare reform is healthcare delivery (Porter, 2009). According to this view, a focus on cutting costs would not improve healthcare for patients (Porter, 2009). In addition, it was necessary for healthcare industry leaders to rethink the way delivery systems were organized (Reilly, 2012). According to Porter, focusing on the result of treatment was a better strategy. Patients could receive greater value by implementing ideas such as digitalized medical records or coordinated patient care among primary care physicians and specialists (Ossoff & Thomason, 2012). For this reform to work, patients needed to be able to choose their own healthcare providers (Porter, 2009).

In the 1940s and 1950s, the model of the employer-based health insurance system was developed (Blumberg, Buettgens, Holahan, & Feder, 2012). Tax incentives to employers that provided benefits solidified the system (Blumberg et al., 2012). However, employees paid more and more for their employer-based health insurance as time passed, and bankruptcies attributable to high medical bills began to rise (Allen, 2011). Although healthcare in the United States was the most expensive in the world in 2010, it did not have the best outcomes in the world (Filson et al., 2011). In short, a new system arose because the old system was in decline.

The idea of the federal government inserting itself into the healthcare arena has always been contentious (Cutler, 2010). When President Truman attempted to introduce a

single-payer healthcare plan, people accused him of being a communist (Odom, Owen, Valley, & Burrell, 2011). The last successful healthcare reform action took place in 1965 with the adoption of legislation that created Medicare and Medicaid (Berkowitz, 2008). Unlike with the PPACA, there were several competing plans in Congress, each of which had some merit (Cutler, 2010). An electoral victory for the Democrats in 1964 and a great deal of pressure by President Johnson contributed to the creation of Medicare (Berkowitz, 2008). As a compromise, two of the competing plans were combined to create Medicare Part A and Medicare Part B, while a third plan, originally called “Eldercare,” was modified and became Medicaid (Berkowitz, 2008).

In 2009, Heffes (2009) surveyed small businesses and found that the most important issue facing small business owners was healthcare reform. The poor and disabled in the United States received their healthcare via Medicaid, and the elderly received their healthcare via Medicare, both of which were funded through payroll taxes paid by working Americans (Quadagno, 2010). Ironically, many of those who were paying for the healthcare of others did not themselves have health insurance, which created friction between the middle class and the poor (Quadagno, 2010). Some people wanted to end the welfare state, and others called for universal healthcare, but both groups were responding to the perceived unfairness of the current system (Heffes, 2009).

### **Massachusetts Healthcare Reform**

In 2006, the Commonwealth of Massachusetts became the first state in the nation to implement a health reform plan designed to bring about universal healthcare (Gruber, 2008). Instead of trying to develop an entirely new system, the Massachusetts plan was to

patch up the holes in the existing system (Gruber, 2008). Members of the state government discovered Massachusetts would lose a substantial amount of federal money if state legislators did not make changes to the state healthcare system. With this motivating factor in mind, the state legislature came up with a bipartisan plan to bring about universal healthcare (Gruber, 2008).

The Massachusetts plan expanded Medicaid eligibility through an entity called “Commonwealth Care” where citizens with incomes below the poverty level received free health insurance (Holahan & Blumberg, 2006). People with incomes between 100% and 300% of the poverty level received subsidies for their health insurance and citizens with incomes greater than 300% of the poverty level did not receive subsidies (Holahan & Blumberg, 2006). Other changes implemented included the requirement that insurance companies sell insurance to all who wished to buy it (Wilensky, 2009). This requirement, called “guaranteed issue,” implied that insurance companies could not discriminate against people with preexisting health problems (Holahan & Blumberg, 2006, p. 3). This insurance had to be affordable: Premium differences were allowed only in certain circumstances, such as charging more for people who smoked (Holahan & Blumberg, 2006). Businesses were required to offer a basic health insurance plan called a “Section 125 plan” if they had 50 or more employees (Holahan & Blumberg, 2006, p. 3). Insurance could be purchased through “The Connector,” which was a state-run health insurance marketplace (Holahan & Blumberg, 2006, p. 3). Adults were required to show on their state income tax forms that they had insurance coverage: Failure to show proof of insurance resulted in penalties (Wilensky, 2009).

Part of the reason for the success of the Massachusetts healthcare reform was attributed to a persuasive advertising campaign; however, the same cannot be said for the PPACA (Sage, 2011). Instead of inventing a catchy name such as “Medicare,” the Obama Administration allowed their opponents to name this legislation “Obamacare” (Sage, 2011). This deferral by the administration shows that, unlike the Massachusetts reform, the PPACA was not a bipartisan effort (Sage, 2011).

### **Healthcare Reform in the Netherlands**

Different countries have different healthcare systems, and there are pros and cons to each. For example, in 2007, wait times for treatment were much higher than other industrialized countries, in Canada and the United Kingdom; the United States and Germany, on the other hand, had the shortest wait times (Schoen et al., 2007). Germans saw specialists more often than other countries surveyed; the British, Canadians, and New Zealanders saw specialists the least (Schoen et al., 2007). The United States had the least affordable healthcare at \$6697 per capita; motivating some patients to skip needed medical care to save money (Schoen et al., 2007).

The Netherlands healthcare system as it existed before the 2006 reform was a combination of public and private financing, in which the government provided health insurance for the poor, and the middle and upper classes either purchased their own insurance or received it from their employers (Turquet, 2012). Some people considered the healthcare system in the Netherlands, prior to 2006, as unfair (van Ginneken, Busse, & Gericke, 2008). Citizens who were higher up on the socioeconomic scale were unable to access government-based health insurance (van Ginneken et al., 2008). These people

also had to deal with private insurance companies that would alter premium rates based on health status, which sometimes made health insurance very expensive (van Ginneken et al., 2008). Still, the vast majority of Dutch citizens had some form of health insurance (van Ginneken et al., 2008).

Like the PPACA, the new Dutch system offered government subsidies to low-income citizens (Maarse & Bartholomee, 2006). Unlike the PPACA, the Dutch government paid the insurance premiums for all children in the Netherlands (Maarse & Bartholomee, 2006). It did not matter if the parents were rich or poor; all Dutch children were covered (Maarse & Bartholomee, 2006). The PPACA, in contrast, expanded Medicaid coverage but did not guarantee coverage for all American children (Hofer, Abraham, & Moscovice, 2011).

Both similarities and differences exist between the Dutch healthcare system and the PPACA. Like the system in the Netherlands, the PPACA contains an individual mandate requiring all Americans to purchase health insurance. However, unlike the Dutch system, the PPACA contains an employer mandate requiring employers to offer health insurance benefits to their employees (Ikkersheim & Koolman, 2012). The Dutch system had no employer mandate, thus transferring the responsibility of obtaining insurance from an employer or the government to the individual (Rosenau & Lako, 2008). The Netherlands Health Insurance Act of 2006, like the PPACA, required insurance companies to sell policies to everyone at a community-rated price starting at 165 Euros per month (Turquet, 2012). To improve the bottom line, only a basic health

insurance policy with certain mandatory coverage was required (Maarse & Bartholomee, 2006).

The main reason for comparing the Netherlands' health reform provisions with the PPACA's provisions is that the two systems are similar; thus, the early results of the Dutch experiment might be indicative of the early results of the American version. After implementation of the Dutch system, health insurance premiums increased each year (Okma, Marmor, & Oberlander, 2011). Insurance companies competed solely on price in order to gain market share, not unlike soft drink companies fighting for shelf space at the local supermarket (Rosenau & Lako, 2008). Insurance companies in the Netherlands were fighting for the largest market share position that they could achieve (Rosenau & Lako, 2008).

An interesting twist to this story involves Dutch insurance companies' strategy. In the first year of the new system, a great number of consumers purchased policies from new companies, presumably based on price; however, in the second year of the new system, only a slightly elevated amount of switching occurred (Rosenau & Lako, 2008). It seemed as though Dutch citizens were less cost-conscious than their government anticipated. This lack of cost-consciousness is important to note when considering the new healthcare marketplaces launched as part of the PPACA (Shaffer, 2013). The ongoing question is whether Americans will act similarly to their Dutch counterparts.

### **Healthcare Reform Comparisons**

Although the Massachusetts plan covered only one state, and the Dutch plan covered an entire nation, both plans were implemented in 2006 (Ikkersheim & Koolman,

2012). As such, the early results of these experiments could give policymakers in the rest of the United States some insight into what might happen throughout the nation in 2014 (Lincoln, 2009). This notion is especially valid given that the PPACA closely resembles the Massachusetts health reform in many respects (Lincoln, 2009). After the implementation of the Massachusetts plan, the most important result was that the number of uninsured citizens in Massachusetts dropped (Emanuel, 2008). The exact amount of the decrease remains in dispute, but the percentage of uninsured in Massachusetts declined by at least half and quite possibly more (Emanuel, 2008). At least one estimate put the insured rate in Massachusetts at 97% (Emanuel, 2008). However, like the costs experienced in the Netherlands, healthcare costs in Massachusetts have risen since 2006 (Emanuel, 2008). The federal government paid roughly half of the cost of this plan, which is an important difference from the PPACA (Lincoln, 2009). In 2009, Massachusetts spent 33% more on healthcare than any other state (Lincoln, 2009).

Another issue that developed in Massachusetts involved the discrepancy between the number of newly enrolled and the number of doctors: Hundreds of thousands of newly insured citizens entered the healthcare system, with no corresponding increase in the number of available physicians (Jacobson & Jazowski, 2011). The result of this disparity was increased wait times (Jacobson & Jazowski, 2011). Some experts predicted doctors might cut back on the number of the low-income patients they saw because of lower and slower reimbursements as well as because of fears regarding compliance with the new law (Ossoff & Thomason, 2012). Additionally, a large percentage of doctors

more than 50 years of age told researchers they might retire early because of these concerns (Gray, Stockley, & Zuckerman, 2012).

Given the similarities between the PPACA and the Massachusetts healthcare reform, it is not unreasonable to imagine a similarly dramatic increase in the number of patients, matched by a static number of doctors, could become a national phenomenon (Jacobson & Jazowski, 2011). According to Hofer, Abraham, and Moscovice (2011), the entire nation is expected to experience this problem after January 1, 2014. By 2019, the United States will have an estimated shortfall of up to 6,940 primary care physicians because of the increase in annual primary care visits by newly insured citizens (Hofer et al., 2011). Possible solutions offered to mitigate this problem include an increased use of advanced practice registered nurses (APRNs) and programs such as the National Health Service Corps (Keepnews, 2010; Linde-Feucht & Coulouris, 2012). The PPACA included several pilot programs designed to explore these kinds of possibilities, but there were obstacles to implementation (Keepnews, 2010). The American Medical Association was opposed to the increased use of APRNs, and laws in several states supported this opposition (Keepnews, 2010).

The underlying theory behind the Netherlands Health Insurance Act, the Massachusetts healthcare reform, and the PPACA is the theory of “managed competition” (Okma et al., 2011). According to theorists, managed competition should reduce prices; however, to be successful, consumers need to look for the best price–quality combination (Okma et al., 2011). If managed competition did not work as expected in the Netherlands, it is reasonable to think that it might not work as expected in

the United States. The Netherlands already had a universal healthcare system; thus, the idea of universal healthcare was not as alien as it might seem to citizens in the United States (Turquet, 2012).

### **Patient Projection and Affordable Care Act**

The PPACA, like the Dutch system, has an individual mandate that requires each American to have health insurance (Ikkersheim & Koolman, 2012; LaPierre, 2012). Unlike the Netherlands plan, the PPACA also has an employer mandate requiring businesses to offer health insurance benefits to their employees (Crapo, 2013). The employer mandate is arguably similar to the healthcare system in Germany, which is more than a century old (Mondal, 2013). The individual mandate could eliminate the problem of individuals not being as cost-conscious as the government might prefer. Business owners, especially independent business owners, are likely to continue being cost conscious as a matter of necessity.

As of this writing, the employer mandate in the PPACA (U.S. Congress, 2010) can be found in Title I, Subtitle F, Part II of the law, entitled “Employer Responsibilities” (p. 136). The PPACA uses the term “applicable large employer,” which includes businesses with 50 or more full-time equivalent employees (Crapo, 2013). Thus, part-time employees are included in the calculation of total full-time employees, based on the total number of hours worked by all employees in the preceding year (Crapo, 2013). Part-time employees are not included in the employer mandate in terms of required coverage. Seasonal employees are also exempt, but leased employees are not (Hevenstone, 2010). Those who are exempt from coverage must purchase their health insurance from one of

the health insurance exchanges that have been set up by states or by the federal government if states chose not to set up their own (Colchamiro, 2012). Employers that do not offer health insurance to their full-time employees face penalties (Crapo, 2013).

The health insurance exchanges are part of the PPACA (Blank, 2012). Each state was required to set up exchanges, called Small Business Health Options Program (SHOP), by 2014 (Jacobs & Eggbeer, 2012). If state leaders did not create SHOPS themselves, the federal government would do it for them (Colchamiro, 2012; Gibeaut, 2012; Jacobs & Eggbeer, 2012). These exchanges were designed to be a marketplace providing one-stop health insurance shopping for both individuals and small businesses (Jost, 2012). The idea behind the health insurance exchanges was to help bring down the cost of health insurance by promoting competition among the various providers in a venue that allowed potential buyers to see all of the available options (Jacobs & Eggbeer, 2012). According to Brooks (2011), small business owners were unlikely to offer health insurance to their employees. In fact, 77% of businesses with four or fewer employees did not offer health insurance benefits in 2011, and only 20% of businesses with fewer than 100 employees offered health insurance (Brooks, 2011).

The proposed SHOP exchanges were intended to be more than simply a place to purchase insurance (Jost, 2012). The exchanges were also supposed to provide expertise in dealing with the myriad questions and circumstances involved with health insurance (Jost, 2012). Navigators (liaisons between the small business community and the SHOP exchanges) provided this expert assistance (Jost, 2012).

Like the Dutch system, the PPACA required insurance companies to issue health insurance policies to any person who wanted to buy, regardless of preexisting conditions (Ikkersheim & Koolman, 2012; LaPierre, 2012). The PPACA prohibited basic health insurance policies from having lifetime dollar maximums (U.S. Congress, 2010). Not only were insurance companies required to sell policies to anyone regardless of preexisting conditions, but they also could not limit coverage, even though such conditions could cost a great deal (Blank, 2012). Requiring every person to have insurance spreads the risk across the entire population (Baker, 2011).

The PPACA will cost the U. S. taxpayer roughly \$3,730 per newly insured citizen (Gruber & Rundell, 2012). Healthcare spending was expected to increase to \$3.1 trillion in 2014 (“Healthcare spending trend to accelerate,” 2012). If the cost-cutting measures and revenue enhancing devices in the law work as expected, the Congressional Budget Office estimates the taxpayers will save \$100 billion in the first decade after implementation of the law (Gruber & Rundell, 2012). However, some cost-cutting measures may not work out as planned, as has happened in the past, which could require tax increases to make up the difference (Tobing & Jeng, 2012).

Some of the revenue-enhancing devices found in the PPACA seem arbitrary. For example, tanning salons are required to collect an extra 10% from each customer to pay a new excise tax (Gardner, Welch, & Daff, 2010). The penalties for nonqualified distributions from health savings accounts and Archer medical savings accounts have increased to 20% (Gardner et al., 2010). Medicare taxes increased in 2013, and a 40% tax on “Cadillac” health plans is planned for 2018 (Abbott, 2012; Gardner et al., 2010;

Wilensky, 2011). These are plans that cost more than \$10,200 a year for an individual or \$27,500 for families (Abbott, 2012; Gardner et al., 2010; Wilensky, 2011).

The individual mandate can be found in Title I, Subtitle F, Part I of the PPACA (U.S. Congress, 2010). This portion of the law requires individuals who do not have health insurance through their employer to purchase “minimum essential coverage” (U.S. Congress, 2010, p. 126). Tax penalties are imposed on individuals who do not comply (U.S. Congress, 2010). The PPACA is an attempt to bring universal healthcare to the United States for the first time in history. The law encompasses a great deal more than the little discussed here; however, this discussion provided the basic structure. Next, I discuss the implications of the law, both positive and negative.

## **Implications**

### **Healthcare Economics**

Healthcare spending in the United States accounted for greater than 16% of gross domestic product by the time the PPACA was passed in 2010, and because most of this cost was borne by employers, the cost was passed on to consumers (Herzlinger, 2010). This fact, in sharp contrast to the situations in other developed nations, has tended to make American products more expensive than the products of foreign competitors (Herzlinger, 2010). Although this problem is not likely to change under the PPACA, the more healthcare costs can be reduced, the more competitive American products would likely become (Herzlinger, 2010). The concept of managed competition could serve as an improvement to the pre-PPACA system. Few individuals understand the cost of their health insurance because their employers pay for the insurance. Having employer-paid

health insurance relieves people of the need to worry about the cost of the care they received; in essence, the ultimate consumers of healthcare—the patients—have no idea what things cost and no reason to care (Herzlinger, 2010).

In a study of micro businesses—defined as a business with up to four employees—Monahan, Shah, and Mattare (2011) found that healthcare costs were one of the most serious challenges facing micro business owners. Men found healthcare costs to be a bigger concern than did women (Monahan et al., 2011). In addition, concern for healthcare costs increased with sales revenues (Monahan et al., 2011). This information is important because in 2009, micro businesses made up 8.1% of the U.S. population, and more than half of all new businesses were micro businesses (Monahan et al., 2011). It is an interesting question whether the implementation of the employer mandate in the PPACA helped or hurt micro businesses, given that most micro businesses did not offer health insurance (Brooks, 2011).

The pre-PPACA healthcare system hindered the formation of small businesses. Most Americans received their health insurance through their employers; thus, it was usually necessary to give up health insurance to start a business (Fairlie et al., 2010). Some entrepreneurs avoided this by receiving their health insurance through their spouse's employer, and entrepreneurs 65 years of age and older received health insurance through Medicare (Madrian, 1994). The rising cost of healthcare was a major reason many small businesses did not offer health insurance benefits (Fairlie et al., 2010). Part of the reason for this was that, as a percentage of sales, insurance was more expensive for

smaller firms than for larger firms, resulting in roughly 20% of self-employed business owners being uninsured (Fairlie et al., 2010).

Even if individuals were not interested in starting their own businesses, they might have been interested in moving from one employer to another (Madrian, 1994). Unfortunately, under the pre-PPACA healthcare system, such a transition could be difficult. The health insurance plans offered by the new employer could be inferior to the policy the individual originally had, or the new employer might not offer insurance due to a preexisting condition (Madrian, 1994). Because of the PPACA, preexisting conditions are no longer a barrier; however, employer-based healthcare is not portable (Madrian, 1994). Fortunately, the PPACA requires states to set up health insurance exchanges, or alternatively, to provide access to the federal exchange, where individuals have the option to purchase their own health insurance at competitive prices (Jacobs & Eggbeer, 2012).

An interesting provision of the PPACA involves young adults. With jobs difficult to come by for new graduates, young adults can remain on their parents' insurance policies until the age of 26 (Lindsey, Spake, & Joseph, 2011). Unfortunately, it is up to the parents of young adults to encourage their progeny to maintain health insurance. Less than half those surveyed were aware of the PPACA, much less how it affected them (Lindsey et al., 2011).

The new health insurance exchanges that were supposed to be set up in each state were to have one exchange for individuals and one for small businesses, although the PPACA gives states the option of combining the two (Jacobs & Eggbeer, 2012). The PPACA provides four levels of coverage, and subsidies based on income level are

available to individuals who purchase health insurance through the exchanges (Holloway & Fensholt, 2011b). Ultimately, the PPACA will promote healthy lifestyles and preventive medicine (O'Donnell, 2012).

### **Massachusetts Results Vs. PPACA Expectations**

In Massachusetts, after implementation of healthcare reform, the number of employers offering health insurance increased (Gabel et al., 2008). The majority of business owners surveyed understood health reform and believed it was an improvement (Gabel et al., 2008). The fear of *crowding out*—that government offered healthcare subsidies would lure certain employees away from their employer's health insurance plans—has turned out to be unfounded in Massachusetts (Long, Stockley, & Dahlen, 2012). This positive reaction to healthcare reform in Massachusetts, however, may not extend to the nation as a whole. The Congressional Budget Office predicted just the opposite happening nationwide (Holtz-Eakin, 2011b).

The rate of insured citizens in Massachusetts after the implementation of healthcare reform increased from 86.6% in 2006 to 94.2% in 2010 (Long et al., 2012). One estimate even showed that the insured rate increased to 97.1%, although that data point seems to be an outlier (Long et al., 2012). The rate of insured citizens of the United States as a whole in 2010 was 77.7%, so Massachusetts was certainly leading the nation on this issue (Long et al., 2012). This is in keeping with the findings of Tuzemen and Becker (2014), who found that self-employment rates in Massachusetts remained flat after healthcare reform was implemented, while self-employment rates in neighboring states and in the nation as a whole dropped.

Statistics showing the rates of the insured could be misleading. For citizens who qualify, health insurance is free, but for citizens who earn a little more, health insurance is subsidized (Richardson, 2009). Finally, at a certain income level—which is different for the PPACA and the Massachusetts reform—all subsidies cease and the citizen must pay for either part or all of his or her health insurance (Richardson, 2009). For people with higher incomes, the PPACA may act like a large tax increase (Richardson, 2009). Depending on the employer contribution—and, especially if someone did not have health insurance through an employer—the cost of health insurance without subsidies could cause a dramatic reduction in discretionary income (Richardson, 2009). As people realize their situations, they may refuse promotions or raises, because that little bit more pay could cause a dramatic reduction of real income (Richardson, 2009).

The Massachusetts health reform was designed to concentrate on expanding health insurance coverage to all citizens first and address the costs later (Holtz-Eakin, 2011a). Detractors saw this as exactly the wrong way to go about reform (Joyce, 2011). The problem, according to Holtz-Eakin (2011a), was that healthcare costs had risen from 7% of GDP in 1970 to 17% of GDP in 2009 and were continuing to rise. If reformers did not first concentrate on cost containment, the budgets established for healthcare in Massachusetts would swell uncontrollably (Joyce, 2011). In contrast, the PPACA included a number of cost containment measures; thus, on this issue it is difficult to compare the two plans (Baker, 2011). The PPACA dealt with the issue of “free riders”—people who buy health insurance, get treatment, and then cancel the insurance—by having open enrollment periods once a year (Baker, 2011). Unlike in Massachusetts,

under the PPACA, people must purchase health insurance during an open enrollment period, not just when they want to see a doctor (Baker, 2011).

An important difference between the Massachusetts health reform and the PPACA is the level of support for the laws (Patel & McDonough, 2010). The health reform law in Massachusetts enjoyed strong bipartisan support, as well as generally positive support from the population (Sage, 2011). The PPACA, on the other hand, is highly partisan, and further, the population as a whole seems unsure of what is in the law (Sage, 2011). Not one Republican in either the House or the Senate voted for the PPACA (Bondurant & Henry, 2011). In Massachusetts, the state made a concerted effort to convince the people to support reform (Sage, 2011). The Obama administration has not taken such steps to build support for the PPACA (Patel & McDonough, 2010).

It is important to remember, if employees choose to purchase their own health insurance rather than accept insurance coverage through their employer, the employer must pay a penalty (Baker, 2011). The purpose of this provision was to motivate employers to shop for the best health insurance deals they could find (Baker, 2011). Still, there was nothing to stop individuals from doing their own shopping. Because of this provision, individuals who wished to maintain the status quo and keep their existing health insurance may not have been able to do so, because their employers shopped for the best deal—for the employer. This outcome, anecdotally, is what many people have experienced.

## Employer Strategies

### Maintaining the Status Quo

The fact that an employer could offer health insurance, but could still face tax penalties even if only one employee chose to purchase insurance individually gave rise to a simple strategy to adapt to life under the PPACA (Edwards, 2012). That strategy is simply to not offer insurance benefits and just accept the penalties. Tax penalties can be assessed up to \$250 per month per employee for businesses with fewer than 50 employees (Gilliland, 2011). For firms with more than 50 employees, after the first 30 employees, the fine increases to \$2000 to \$3000 per affected employee per month (Cordell, & Langdon, 2012; Edwards, 2010). If the penalties amount to less money than the cost of the insurance, many small businesses might choose simply to accept the penalties (Cordell, & Langdon, 2012). In addition, there is also an administrative cost associated with offering health insurance benefits. It may have been both easier and more cost effective for small businesses to do nothing. I expect this strategy will be popular as time passes and independent businesses become more familiar with the PPACA. The strategy of simply accepting the tax penalties is one of the specific questions in the survey used for this study. Question 14 (see Appendix A) is “My business will pay the tax penalties rather than offer health insurance benefits in response to the PPACA.”

Some businesses, large and small, have grandfathered health insurance plans, which are plans that were in place prior to September 22, 2010 (Pudlowski, 2011). Changes for these plans went into effect on January 1, 2011; thus, employers with grandfathered health plans have already been dealing with the PPACA (Pudlowski,

2011). These changes included a ban on selection due to preexisting conditions, a ban on policy cancellation due to patients' increased healthcare costs, restrictions on lifetime maximums, and coverage for adult children up to 26 years of age (Hammer, Phillips, & Schmidt, 2010). Because more than one half of business owners surveyed intended to change health insurance benefits plans, the number of firms using non-grandfathered plans will likely increase (Hansen, 2011).

In addition, grandfathered plans may have other problems that must be considered (O'Connor, 2011). Grandfathered plans will not be easily changed if revisions are necessary to meet future business needs, nor can healthcare providers be changed without giving up grandfathered status (O'Connor, 2011). It may even be impossible for business owners to maintain grandfathered status because their health insurance provider may decide to no longer offer that particular plan (O'Connor, 2011). This sort of thing has been reported in the news media since implementation. It apparently is not always possible to keep one's existing health insurance plan. In fact, even if a new plan has the same name and is very similar to a previous plan, if sufficient changes are made, the government will no longer consider the plan grandfathered, even if the employer in question wishes it to be (O'Connor, 2011). Further, the PPACA requires non-grandfathered health insurance plans to provide preventive healthcare (Pudlowski, 2011). This requirement was designed to be a cost-reducing measure. Finally, an appeals process must be set up so if a health insurance claim is denied, it can be reviewed further (Pudlowski, 2011).

## **Independent Businesses**

Independent business owners may respond like owners of large businesses—that is, they may not have a clear idea how they want to react to the employer mandate (Hansen, 2011). According to Hansen, 31% of the leaders at large private companies surveyed did not know how the PPACA would affect them. Of those surveyed, 47% believed the PPACA would have “a notable financial effect on their business” (Hansen, 2011, p. 11). Many of the CEOs surveyed were concerned about the effect of the PPACA on cash flow (Hansen, 2011).

For small employers, defined as businesses with 25 or fewer employees, an effective strategy for dealing with the new law was to take the tax credit offered under the PPACA (Dykhorn & Sinning, 2010; Schreiber, 2013). Small employers whose employees made no more than an average of \$25,000 per year and paid for half of their employees’ health insurance were eligible for a tax credit of up to 50% of the employer contribution (Dykhorn & Sinning, 2010; Schreiber, 2013). After taking this credit, a small employer would only be responsible for paying one quarter of each health insurance premium—their employees would pay one half and the taxpayers the other one quarter (Schreiber, 2013). Thus, a small employer could comply with the law, help its employees, and save money (Dykhorn & Sinning, 2010; Schreiber, 2013).

Government leaders have preferred that independent businesses use their state or federal SHOP exchanges to purchase health insurance for their employees (Sperling, 2012). Part of the reason government leaders have wanted independent businesses to use this option is the revenues that such transactions generate to help support the exchanges

(Sperling, 2012). The other reason is that the exchange concept works at the federal level for Medicare Advantage and Medicare Part D (Sperling, 2012). Although implemented differently, an exchange-type system has been successfully in use in Germany for more than a century (Mondal, 2013). Given this success, it is reasonable to believe the SHOP exchanges could also work. If the exchanges do reduce the cost of health insurance premiums, this could be a simple and effective healthcare strategy. That would be a win-win for both employers and employees (Sperling, 2012).

Another option for employers, even small employers, is self-insurance, in which a business directly insures its employees under the Employee Retirement Income Security Act (ERISA; Fleet, 2011). Originally, self-insurance was a strategy employed only by large corporations; however, smaller businesses have tried this option with some success (Berardo, 2011). Roughly, 100 million Americans received their health insurance through such self-funded plans in 2011, but the full effect on this type of insurance by the PPACA is not yet known (Berardo, 2011).

One provision of the PPACA is that self-insurers and traditional insurance companies are required to provide policyholders with a summary of benefits (SBC; (Holloway & Fensholt, 2012). An SBC is a four-page document written in Standard English that must contain descriptions of certain specific benefits (Holloway & Fensholt, 2012). These benefits include a glossary of terms, description of the coverage offered, various examples of coverage, and contact information for the insurance carrier (Holloway & Fensholt, 2012). The SBC could make self-insurance less attractive because the SBC must be provided to policyholders 60 days prior to any changes in coverage

(Holloway & Fensholt, 2012). However, self-insurance could be a more cost effective option for many companies, because the money set aside for insuring employees earns interest for the company instead of for an insurance company (Fleet, 2011). Plans can be tailored to the needs of employees, and companies can work with their preferred providers (Fleet, 2011).

### **Noninsurance Strategies**

An alternative strategy includes different types of atypical employment approaches, which could be used by businesses in an attempt to limit their financial exposure to the implementation of the PPACA. One of these alternative employment strategies includes offering part-time employment. Under the PPACA, employers are not required to offer part-time employees health insurance benefits (Gilliland, 2011). Because part-time workers can purchase their own insurance, more people could actively seek part-time employment. This has been the experience in the Netherlands, Germany, and the UK. This was especially true for mothers who chose part-time employment instead of purchasing day care (Schmid, 2011).

Another form of atypical employment often used in the United States is temporary employment; however, this option does not insulate employers from the employer mandate. The PPACA specifically requires coverage for “leased employees” (U.S. Congress, 2010, p. 122). Hiring independent employees may be a solution. Independent contract employees are popular in some European countries (Schmid, 2011). There are two types of independent contractors: dependent contractors and independent contractors (Hevenstone, 2010). Dependent contractors are technically self-employed, but only

worked for one client (Hevenstone, 2010). If the client no longer requires their services, they are unemployed. On the other hand, a true independent contractor, or self-employed person, has more than one client, so if they lose one client, they still have others and thus are able to continue to earn a living (Hevenstone, 2010).

The difference between the two types of independent contractors is important because, under the PPACA, independent contractors continue to bear responsibility for purchasing their own health insurance (U.S. Congress, 2010). If an independent contractor were to be dependent on only one employer, a court might be persuaded to conclude such a person was a leased employee and therefore eligible for employer-based coverage (U.S. Congress, 2010). The dependent contractor could be considered a leased employee, just like a temporary worker. A temporary worker, however, is leased from a temporary employment agency. A dependent contractor is generally leased without an agency. This is a matter for the courts, but employers would be wise to consider the implications of such a potential court ruling.

Another form of atypical employment that employers may consider using is seasonal employment. Seasonal employment involves hiring people to work for less than a full year. Seasonal workers are not considered either part-time or leased employees; they work directly for the employer, and they work a full schedule when they work. An example of seasonal employment might be a lawn care worker in a northern state. There is no grass to cut in the winter, so those workers only work part of the year. In Florida, seasonal workers often work in the tourism or hospitality sector. In winter, when tourists tend to visit Florida, there is often a need for more workers. In summer, that need is

reduced. Under the PPACA, employers need not offer health insurance benefits to seasonal employees (U.S. Congress, 2010). Using more seasonal employees could be a useful strategy for some independent businesses in Hillsborough County.

Another legitimate strategy for some independent businesses is to lay off some employees. For example, for a business with 35 employees, it could make sense to lay off six people. According to the PPACA, business owners with 50 or more employees face higher tax penalties than business owners with 25 or fewer employees (U.S. Congress, 2010). There seems to be a gray area for businesses with more than 25 but fewer than 50 employees. Still, for businesses with 50 or more employees, the tax penalties begin after the first 30 employees (U.S. Congress, 2010). A business with fewer than 30 employees—and certainly fewer than 25—is required to pay the lower tax penalty (U.S. Congress, 2010). This portion of the new law makes layoffs or a hiring freeze, coupled with accepting the tax penalties, a legitimate strategic response for some independent businesses.

### **Legal Ramifications**

Independent business owners must have a strategy for addressing the implementation of the employer mandate in the PPACA because the new law could cost them money. If the extra expense of complying with the law were taken into account in the budgets of independent businesses, the adverse effect might well be negligible. If, on the other hand, independent businesses did not have a strategy for addressing the PPACA, they could find the new law costly. Independent businesses often need to include such expenses in their budgets to avoid financial difficulties.

One possible impediment to independent business owners taking action to prepare for the implementation of the PPACA is the fact that various states have sued the Department of Health and Human Services (HHS) stating the law is unconstitutional, and several circuit courts have handed down contradictory rulings on the subject (Mears, 2011). The Fourth Circuit Court in Virginia ruled the plaintiff had no standing to bring suit (“Appeals courts differ,” 2011). The Eleventh Circuit Court in Atlanta ruled the individual mandate portion of the law exceeded the federal government’s authority under the Commerce Clause (“Appeals courts differ,” 2011). To confuse the issue even more, the Sixth Circuit Court in Cincinnati ruled the entire law was constitutional (“Appeals courts differ,” 2011). It should not be surprising that business people might be confused.

Since the district courts were at odds, the Supreme Court did not have much choice but to agree to hear the case. The justices heard arguments in March of 2012 and handed down a ruling on June 28, 2012 (Calvo & Duca, 2012; *NFIB v. Sebelius*, 2012). The Supreme Court had to decide several major issues. First was the notion that because the law had not yet gone fully into effect, it was not possible for anyone to have been injured by the law (Bondurant & Henry, 2011). This tradition is more than a century old, potentially allowing the Court to put the issue aside until 2014 or even later (Mears, 2011).

The big issue was the individual mandate (*NFIB v. Sebelius*, 2012b). Because the Court elected not to wait until the law went fully into effect, it had to decide on the constitutionality of the individual mandate portion of the law (Bondurant & Henry, 2011). Opponents argued the Commerce Clause did not give the federal government the

power to compel citizens to purchase anything, only to regulate existing commerce (Friedman, 2012). In other words, Congress can regulate buying and selling, but not a lack of buying and selling. Hall (2011), however, argued that the Commerce Clause, in conjunction with the Necessary and Proper Clause, gives Congress the power to do just that. Proponents have argued that eventually everyone uses the healthcare system (Mulvany, 2012). If people cannot opt out completely, then they should enter into the system like everyone else (Bondurant & Henry, 2011). According to Hall (2011), the key word in the Commerce Clause was “regulate.” In the past, Congress has interpreted that word to give them a great deal of latitude (Hall, 2011). For example, Congress used the Commerce Clause to build a series of lighthouses (Hall, 2011).

Another issue is taxation. Some proponents have argued that the Commerce Clause does not apply to the individual mandate because a tax was to be imposed on all Americans (Mulvany, 2012; “Now for the really hard part,” 2010). To avoid paying that tax, citizens could procure health insurance (Mulvany, 2012; “Now for the really hard part,” 2010). Congress has long used the tax code for purposes of social engineering, so this is nothing new (“Now for the really hard part,” 2010).

The next issue that had a bearing on this study is the assertion that if the individual mandate were unconstitutional, then the entire PPACA was unconstitutional (Ladd, 2012). The argument was the individual mandate was so important to the overall law that without it the law would collapse (Ladd, 2012). If the Supreme Court upheld this ruling, then the employer mandate would no longer be an issue for independent businesses. Given the contradictory circuit court rulings, however, it was equally likely

the employer mandate would remain unchanged (“Appeals courts differ,” 2011). Finally, there was the issue of the expansion of Medicaid required by the PPACA. This issue is outside the scope of this study.

On June 28, 2012, the Supreme Court of the United States handed down its 5-4 ruling in *NFIB v. Sebelius* (2012a). Despite well-reasoned arguments, the Supreme Court decided the Commerce Clause does not give Congress the power to regulate inactivity (Friedman, 2012; Mulvany, 2012). Writing for the majority, Chief Justice John Roberts wrote, “The Framers . . . gave Congress the power to *regulate* commerce, not to *compel* it.” This means the government cannot require citizens to buy anything. This is important language when considering future legislation (*NFIB v. Sebelius*, 2012a, p. 3).

The Court’s decision was that although the full extent of the PPACA had not yet gone into effect, the fact that Congress intended the penalties to be penalties rather a tax meant it was appropriate for the plaintiffs to bring suit (*NFIB v. Sebelius*, 2012b). The Court decided the Necessary and Proper Clause did not apply, because the individual mandate was necessary for the entire PPACA to function as intended (*NFIB v. Sebelius*, 2012b). Congress cannot create a problem that it then can use the Necessary and Proper Clause to solve, because that power could be misused (*NFIB v. Sebelius*, 2012a).

It appeared the PPACA would collapse at that point, but it did not. The Court decided that, although Congress maintained the penalties were not a tax, the penalties were a tax (Friedman, 2012; Schreiber & Nevius, 2012). Congress has the power to levy taxes; therefore, the Supreme Court ruled the individual mandate—and by extension the employer mandate—was constitutional (Friedman, 2012; Schreiber & Nevius, 2012).

Opponents of the PPACA continued legal challenges to the new healthcare law. A group of people in Virginia sued the federal government regarding the PPACA on the grounds that without the Federal subsidies they would not be able to afford health insurance. The issue was that the PPACA offers a federal subsidy for people who purchase health insurance through a SHOP exchange and meet certain requirements. The plaintiff's argument was that the PPACA specifically offers subsidies to people who purchase insurance via a state operated exchange. The State of Virginia did not create an exchange so Virginians had to use the federal exchange. Plaintiffs stated that the federal subsidies issued to citizens purchasing insurance via a federal exchange were illegal. This case went to the Supreme Court and was decided June 25, 2015. The Supreme Court ruled that federal subsidies issued to citizens who purchased insurance via a federal exchange were legal (*King et al. v. Burwell*, 2015).

Many independent business owners may have been thinking they would simply wait until the Supreme Court made its ruling to see what would happen. That was a valid short-term strategy (Barry, 2012), because nobody knew what the Supreme Court would do. The Court might have avoided the issue and pushed it back until 2014 to avoid election year politics (Mears, 2011). Even if the Court had struck down the individual mandate, it might have left the rest of the law intact—just as a lower court did (Bondurant & Henry, 2011). In the end, the Court held that the law was constitutional (Carpenter, 2012). That left independent business owners right back where they started, having potentially sacrificed months that could have been used for planning for the implementation of the employer mandate (Barry, 2012).

### **Gap in Literature**

I previously mentioned a gap in the literature that I hoped to fill, in part, with this study. When I began this dissertation project in December 2011, there was a much wider gap in the literature than there is today. As one might expect, as the implementation of the PPACA drew near, more researchers began to ask questions. I have added roughly 40 peer-reviewed references that had not been published when I began this project. In fact, to date, only three peer-reviewed references used in this study were published in 2014. This is not due to a lack of searching, nor is my claim of the dearth of peer-reviewed literature on this subject merely my opinion. In an article published in August 2014, Lahm stated, “Scholarly researchers have not as yet addressed Obamacare adequately” (p. 1). This study was my response to the lack of literature on business owners’ strategic responses to the PPACA. I hoped this study would contribute to the body of knowledge on this subject.

Lahm (2014) in particular outlined the difficulty of finding peer-reviewed articles on this subject. His description of his search process was very similar to my own. The journals Lahm (2014) mentioned by name can be found repeatedly in my reference list. I would add that I have not yet found any studies similar to my own that employed a research sample population located in the State of Florida. The problem addressed in this study was that because so many new jobs are created by independent employers (Fairlie, Kapur, & Gates, 2010; Monahan, Shah, & Mattare, 2011), it was important to understand employers’ perceptions of the PPACA and to identify their planned strategic responses to

the employer mandate in the PPACA. Thus, it seems this study could be one of the first to investigate this question in this geographic area.

### **Summary**

The PPACA was the latest in a series of attempts to bring universal healthcare to the United States. The issue reached critical mass due to the continued breakdown of the previous employer-based insurance system (Hacker, 2009). With insurance costs rising, with employers offering less coverage, and with the rising number of uninsured and underinsured citizens, proponents finally obtained the votes to pass the new healthcare law. The closest comparison to the PPACA at the national level is the new private sector-based universal healthcare system, implemented in January 2006 in the Netherlands (Turquet, 2012). The Dutch law uses an individual mandate without including the employer mandate that the PPACA uses as its primary insurance delivery system (Okma et al., 2011).

In addition, in 2006, the Commonwealth of Massachusetts implemented a statewide healthcare reform initiative (Carrasquillo & Betancourt, 2010). This law included both an individual mandate and an employer mandate (Gruber, 2008). So far, this new reform has been successful in increasing the percentage of Massachusetts' citizens now insured, but costs have risen substantially (Carrasquillo & Betancourt, 2010).

By spreading the insurance risk across the entire population, the Netherlands Health Insurance Act, the Massachusetts healthcare reform, and the PPACA are expected to lower health insurance costs while still enabling insurance companies to make a profit

(Carrasquillo & Betancourt, 2010). In each system, insurance companies must offer certain minimum coverage for basic policies, but can offer optional coverage that may be more profitable (Carpenter, 2012). This strategy is similar to auto insurance in that a certain basic policy is required, but more coverage that may be more profitable to the insurer is offered.

Because healthcare costs are included in every product and service made in the United States, and foreign products and services do not usually bear this burden, any reduction of healthcare costs could make American goods and services more competitive in the world marketplace (Herzlinger, 2010). Reducing health insurance costs was one purpose behind the new health insurance exchanges (Shaffer, 2013). The one-stop-shopping model for both individuals and small businesses was expected to reduce the cost of health insurance. In reality, the consumer does not usually have any idea of the true costs of insurance (Herzlinger, 2010). These exchanges give individuals the option of buying their own insurance instead of accepting employer-based insurance if it is substandard (Shaffer, 2013).

The reliance on employer-based health insurance became a drag on the U.S. economy; entrepreneurs often had to give up their health insurance to start their businesses (Fairlie et al., 2010). Under the PPACA, individuals are able to afford to purchase their own insurance, which in turn could prompt some would-be entrepreneurs to get started (Sperling, 2012). However, because part-time employees are excluded from the employer mandate in the PPACA, the United States, like The Netherlands, could see a dramatic increase in the number of part-time employees (U.S. Congress, 2010).

A number of potential strategies exist for independent retail businesses to consider when complying with the PPACA. One of these strategies is simply to do nothing. Business owners who do nothing face penalties; however, if the penalties are less than the cost of offering health insurance, doing nothing is certainly the easiest option (Gilliland, 2011). Another simple strategy for businesses with 25 or fewer employees is to obey the law and take the tax credit (Bernardi, 2014; Dykxhoorn & Sinning, 2010). The tax credit should make employee health benefits affordable, and it avoids possible legal problems (Dykxhoorn & Sinning, 2010; Schreiber, 2013).

Self-insurance, where a business acts as its own insurance company, is a popular cost saving option for large companies (Berardo, 2011). Smaller businesses have had some success with this as well, but it is not yet fully known how the PPACA will affect business owners who choose this insurance option (Fleet, 2011). Some businesses may choose to increase the number of employees listed as independent contractors. Businesses do not generally offer health insurance benefits to independent contractors. There are, however, two types of contract workers, and those who work exclusively for one business arguably could be considered a leased employee.

The Supreme Court decided that the PPACA was constitutional (*NFIB v. Sebelius*, 2012a). The employer mandate for businesses with fewer than 50 employees went into effect on January 1, 2014 (Barry, 2011; Jarrett, 2013; *NFIB v. Sebelius*, 2012a). Little has been written in the peer-reviewed literature about how independent retail business strategies plan to deal with the implementation of the PPACA. This lack of

research interest is changing—this dissertation is certainly not the only research on the subject, although it was started earlier than some others.

In this literature review, I have often addressed the issue indirectly because I found few peer reviewed journal articles on the topic. In fact, I approached leaders at three chambers of commerce in Hillsborough County, none of whom were interested in discussing this issue. The indifference and lack of peer reviewed literature on the subject underscores the need for more research on this topic to assist independent retail businesses in Hillsborough County in choosing the most effective course of action. This is especially true given the decision by the government leaders of the State of Florida to not cooperate with the federal government on the formation of the healthcare exchanges required under the PPACA (Negron & Sobel, 2013).

In Chapter 3, I discuss the methodology used in the study. I first describe the research design and approach. I then discuss the pilot study, which was necessary because the study instrument was of my own design. I discuss the setting and sample, followed by a review of the data collection and analysis procedures. I discuss the instrument in more detail and close with a discussion of my efforts to protect the human participants in the study.

## Chapter 3: Research Method

### **Introduction**

In this chapter, I discuss the research methodology I used in this study. This was a pre-experimental, quantitative study, in which I surveyed a random sample of independent retail business owners and managers in Hillsborough County, Florida. I chose a pre-experimental design because pre-experimental studies use only one group (Frankfort-Nachmias & Nachmias, 2008). I did not have a control group. The research population comprised randomly chosen independent retail businesses throughout Hillsborough County. The instrument itself was a 5-point Likert-type scale. Reliability was calculated using Cronbach's alpha. I collected the data using Survey Monkey and analyzed them using descriptive statistics, *t* tests, and chi-square goodness-of-fit analysis.

### **Research Design and Approach**

This pre-experimental, quantitative study consisted of a survey of randomly selected independent retail business owners or managers in Hillsborough County. I purchased a marketing list of independent business owners from Info USA and e-mailed every second name on the list to ensure a random sample. Info USA is an online retailer of e-mail marketing lists. The company owns hundreds of Web sites, which are designed to collect "opt-in" e-mails. Lists purchased from Info USA comply with federal and state regulations (Info USA, 2013). The list in question contained the available e-mail addresses for retail businesses in Hillsborough County, Florida, with the SIC codes 5399, 5699, and 5999. The list from Info USA provided a population of 618 independent retail businesses; thus, by randomly choosing every second name on the list, I obtained a

sample population of 309 (Info USA, 2013). This list is not comprehensive. That is, businesses may exist in these SIC categories that do not have e-mail addresses or their e-mail addresses were not discovered by Info USA. However, the sampling design was adequate for the purposes of this study. My objective in this study was to learn how independent retail businesses were preparing for the implementation of the employer mandate in the PPACA. The most effective way to find out was to survey a sample from the population.

I did not choose the SIC codes at random. The code 5399 represents “miscellaneous general merchandise stores” (OSHA, 2010). This category of business usually has fewer than 50 employees (OSHA, 2012). The code 5699 represents “miscellaneous apparel and accessory stores,” and, finally, the code 5999 represents “miscellaneous retail stores, not elsewhere classified” (OSHA, 2012). I chose these SIC codes not only because the businesses are often smaller retail operations, but they are also general in nature. Using these categories served to keep the sample size at a manageable number, but significant enough to facilitate the generalization of results to at least the retail industry in Hillsborough County. As stated earlier, the independent variable for this study was the sample population. The dependent variable was the respondents’ responses to the survey.

Independent business owners are busy people. Not only do they not have a great deal of free time to spend on academic studies, but also they lacked willingness to discuss this issue. This reluctance might have been especially true if they had not started planning

anything yet in response to the PPACA. For that reason, I designed this study to make it as easy as possible for independent business owners to participate.

On December 12, 2013, I began the pilot study. I e-mailed the invitation to participate in this study to 31 independent business owners or managers, which was 10% of the sample population of 309. I used the pilot study to determine whether the survey questions were interpreted by participants as I intended. I used the data I collected to calculate the reliability of the instrument. Receiving the minimum three responses took 2 weeks, which was longer than I anticipated. Even with this small sample, I was able to calculate a Cronbach's alpha of 0.853. The descriptive statistics did not reveal any problems with the questions. Cronbach's alpha is a statistical method for calculating the reliability of an instrument (Trochim & Donnelly, 2008). A Cronbach's alpha of 0.8 or higher is generally recommended to indicate a reliable instrument (Field, 2009). These results were sufficient to move forward with the full study.

### **Setting and Sample**

The setting for this study was Hillsborough County. The research population comprised a random sample of independent retail business owners in Hillsborough County. According to Trochim and Donnelly (2008), construct validity is addressed by the question "How well can I generalize from my sample to the population?" (p. 58). According to Aczel and Sounderpandian (2009), researchers should use the largest practical sample population. Statistically, a population census would be best, although that is not usually possible (Aczel & Sounderpandian, 2009). It would be unrealistic to survey every independent retail business owner in the county.

At least 30 responses were necessary for a total population of 618 (Info USA, 2013). According to Krejcie and Morgan (1970), a population of 600 requires a sample size of at least 234. By including every second name in my sample, I obtained a sample size of 309, which was more than enough for the study. If roughly 10% of my sample population responded, then I would have approximately 30 usable responses. Thirty respondents is a large enough sample according to the Central Limit Theorem (Aczel & Sounderpandian, 2009). The Central Limit Theorem states:

When sampling is done from a population with mean  $\mu$  and finite standard deviation [ $\sigma$ ], the sampling distribution of the sample mean [ $\bar{x}$ ] will tend to a normal distribution with mean  $\mu$  and standard deviation  $[\sigma]/\sqrt{n}$  as the sample size  $n$  becomes large. (Aczel & Sounderpandian, 2009, p. 194)

According to Aczel and Sounderpandian (2009), “In general, a sample of 30 or more elements is considered large enough for the central limit theorem to take effect” (p. 194). I have provided two quotations on this subject to highlight the fact that a sample of only 30 respondents can still produce statistically significant findings. A smaller response would have been disappointing but might still have been of use (Trochim & Donnelly, 2008).

As stated previously, the sampling frame for this study was a random sample of 309 independent retail business owners in Hillsborough County, Florida. That allowed me to obtain a statistically significant sample at a reasonable cost. The eligibility for participating in this study was simply that all participants were independent retail business owners or managers in Hillsborough County, Florida; that their businesses were

categorized under SIC codes 5399, 5699, or 5999 (see Appendix C); and that the participants were 18 years old or older.

### **Data Collection and Analysis**

The data for this study were collected using a survey. The invitation to participate in the study was sent to the sample research population via e-mail, and the invitation (see Appendix B) directed respondents to a link that led to the Survey Monkey Web site. To complete this survey, respondents needed only to click the provided link, which took them to the online survey on the Survey Monkey Web site. The instrument itself was of my own design (see Appendix A). The instrument was a 5-point Likert-type scale in which I asked about each respondent's plans for a strategic response to the employer mandate in the PPACA.

I designed the survey instrument myself because I was unable to find an appropriate survey that addressed the specific research questions and hypotheses of this study. Some instruments have been designed to understand the results of the Massachusetts healthcare reform; however, the Massachusetts Employer Health Insurance Survey, for example, is a mixed-methods instrument, not suitable for a quantitative study. I determined that writing a survey specific to this study would yield the best results. The survey questions used a 5-point Likert-type scale consisting of *strongly disagree, disagree, neither agree nor disagree, agree, or strongly agree* (Trochim & Donnelly, 2008, p. 102).

It was necessary to conduct a pilot study to calculate the reliability of this instrument (Trochim & Donnelly, 2008). Reliability was calculated using Cronbach's

alpha, which is a method of estimating reliability (Trochim & Donnelly, 2008). A Cronbach's alpha of 0.8 or higher is generally considered an acceptable level of reliability (Field, 2009). The Cronbach's alpha for this instrument was 0.853. The raw data is available in Appendix D.

This instrument was designed specifically for this study. Most of the survey questions were directed toward addressing the hypotheses. The exceptions were the demographic questions presented at the beginning of the survey. The reason the demographic questions were asked at the beginning was to ensure all respondents were 18 years old or older and they had the right to speak for the business. I also collected demographic information about the businesses themselves. The rest of the survey questions focused on the business owner's strategic responses to the PPACA employer mandate. The survey questions were developed by considering possible strategic responses to the employer mandate. The questions were not comprehensive, but were intended to help develop a general sense of independent retail business owners' actions.

The research questions and the hypotheses for this study were as follows:

**Research Question 1:** To what extent did independent retail businesses in Hillsborough County, Florida, plan a strategic response to the employer mandate?

Using Questions 7 and 12 from the survey, I tested the following hypotheses:

$$H_0: \mu < 3.5$$

$$H_1: \mu \geq 3.5$$

**Research Question 2:** To what extent did independent retail businesses in Hillsborough County, Florida, intentionally do nothing in response to the employer mandate?

Using Questions 14 and 15 from the survey, I tested the following hypotheses:

$$H_0: \mu < 3.5$$

$$H_1: \mu \geq 3.5$$

**Research Question 3:** To what extent did independent retail businesses in Hillsborough County, Florida, use the new healthcare exchanges?

Using Question 11 from the survey, I tested the following hypotheses:

$$H_0: \mu < 3.5$$

$$H_1: \mu \geq 3.5$$

**Research Question 4:** To what extent did independent retail businesses in Hillsborough County, Florida, hire fewer employees or lay off existing employees?

Using Questions 6 and 8 from the survey, I tested the following hypotheses:

$$H_0: \mu < 3.5$$

$$H_1: \mu \geq 3.5$$

**Research Question 5:** To what extent did independent retail businesses in Hillsborough County, Florida, use more part-time, seasonal, or independent contract employees?

Using Questions 9, 10, and 13 from the survey, I tested the following hypotheses:

$$H_0: \mu < 3.5$$

$$H_1: \mu \geq 3.5$$

Using a Likert-type scale translated every question into numeric responses on a scale of 1 through 5, which were then analyzed statistically. The analysis techniques comprised descriptive statistics, chi-square goodness-of-fit analysis, and *t* tests (Aczel & Sounderpandian, 2009). The hypotheses were tested using *t* tests. I chose these methods of analysis for several reasons. I used the chi-square goodness-of-fit analysis because data from a Likert-type scale can be considered ordinal. Thus, I could discern a difference between “strongly agree” and “agree,” but I could not necessarily define how much difference existed. By using chi-square analysis, I avoided analyzing means, which can be meaningless for ordinal data and instead focused on the frequency of like answers. In chi-square analysis, I analyzed the difference between the survey responses I expected to see and the survey responses observed (Field, 2009).

By using descriptive statistics, I learned what types of strategies were more popular than others. The descriptive statistics included the mean, median, mode, standard deviations, and the variance of the overall results, and specific questions or groups of questions (Aczel & Sounderpandian, 2009; Field, 2009; Trochim & Donnelly, 2008). I used *t* tests for hypothesis testing because I was comparing answers to specific survey questions and applying those answers to specific research questions and hypotheses.

Using a Likert-type scale ensured the data were quantitative in nature. Because the survey was presented online, the participants entered the data in a digital format. For questions where the scale was reversed, the data were reversed manually before running the analyses to make sure the data were not skewed (Field, 2009). I prepared bar charts to

illustrate the results for each hypothesis. I also calculated the minimum mean necessary to reject each null hypotheses at a significance of  $\alpha = .05$ .

The pilot study began on December 12, 2013, when I e-mailed 31 people from the sample population list. Receiving the minimum three responses took longer than anticipated—approximately 2 weeks. When the third response was received, I was able to calculate a Cronbach's alpha of 0.853. The descriptive statistics did not reveal any problems with the questions. These results were sufficient to move forward with the full study.

### **Protection of Human Participants**

The identities of respondents were protected by virtue of not recording their personal information. Demographic information was gathered, but not names and addresses. Because it was assumed that only those people invited to take the survey would do so, there was no need to record specific personal information. It was my hope that by allowing respondents to remain anonymous, they would be completely honest in taking the survey. Thus, given that I did not know the identities of any of the respondents, those identities and their responses cannot ever be released. Respondents wishing to receive a copy of the completed study were given my contact information so they could make a separate request for their copy of the study. Because this information was separate from the study data, there was no way to connect the names and e-mail addresses with the survey answers.

### Summary

This study was a pre-experimental, quantitative study in which independent retail businesses in Hillsborough County, Florida, were surveyed. The survey was of my own design and used a 5-point Likert-type scale. The survey sample population was obtained by purchasing an e-mail marketing list from Info USA, an online retailer of marketing lists. Reliability for this study was calculated using Cronbach's alpha after conducting a pilot study, which showed a Cronbach's alpha of 0.853. The study used an online survey to collect the data. The data were analyzed using descriptive statistics, chi-square goodness-of-fit analysis, and *t* tests. The identities of all participants were protected by virtue of the anonymous design of this survey.

This study provided insight into the research questions, thus giving academics and policymakers a glimpse into the level of preparedness of independent business owners to the implementation of the employer mandate in the PPACA. In the next chapter, I further discuss the pilot study and data collection procedures. Then I discuss the treatment and the results. Finally, I compare the actual results with those suggested in the literature.

## Chapter 4: Results

### Introduction

The purpose of this study was to examine the strategic responses of independent retail business owners in Hillsborough County, Florida, regarding the employer mandate in the PPACA. I accomplished this examination using a pre-experimental, quantitative study consisting of a survey with which I measured the responses of independent retail business owners to this issue. The results of this study may help other academics and policymakers understand the effect of this new law on employment.

Pre-experimental studies use only one group rather than a control group and a treatment group (Frankfort-Nachmias & Nachmias, 2008). I chose a pre-experimental study because both the population and the sample population were small. This type of study is not intended to be an in-depth study but instead is meant to provide information that can direct researchers toward areas that may be worth studying further (Frankfort-Nachmias & Nachmias, 2008). I investigated the research questions and hypotheses for this study using a 5-point Likert-type scale presented in an online survey. The null and research hypotheses follow each research questions.

**Research Question 1:** To what extent did independent retail businesses in Hillsborough County, Florida, plan a strategic response to the employer mandate?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not plan a strategic response to the employer mandate.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did plan a strategic response to the employer mandate.

**Research Question 2:** To what extent did independent retail businesses in Hillsborough County, Florida, intentionally take no action in response to the employer mandate?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not intentionally take action in response to the employer mandate.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did intentionally take action in response to the employer mandate.

**Research Question 3:** To what extent did independent retail businesses in Hillsborough County, Florida, use the new healthcare exchanges?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not use the new healthcare exchanges.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did use the new healthcare exchanges.

**Research Question 4:** To what extent did independent retail businesses in Hillsborough County, Florida, hire fewer employees or lay off existing employees?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not hire fewer employees or lay off existing employees.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did hire fewer employees or lay off existing employees.

**Research Question 5:** To what extent did independent retail businesses in Hillsborough County, Florida, use more part-time, seasonal, or independent contract employees?

$H_0$ : Independent retail businesses in Hillsborough County, Florida, did not use more part-time, seasonal, or independent contract employees.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, did use more part-time, seasonal, or independent contract employees.

In this chapter, I first discuss the pilot study. Next, I describe the data collection of the full study and the results of the study. The chapter closes with a summary.

### **Pilot Study**

After receiving approval from Walden University's Internal Review Board, I began this project with a pilot study of 31 independent business owners and managers, or approximately 10% of the sample population. I used a small pilot study to determine whether the questions were interpreted as I intended. In addition, I used the data I collected to calculate the reliability of the instrument using Cronbach's alpha, which is a statistical method for calculating reliability (Trochim & Donnelly, 2008). If I discovered no problems with the instrument that needed to be addressed before the main study began, the data I collected in the pilot study could be added to the data I collected in the main study. The independent retail business owners I contacted for the pilot study were not contacted again for the main study, because doing so would have influenced their responses.

After completing the pilot study and processing the data, I determined the applicability of the instrument. I needed at least three responses for the pilot study to calculate the instrument's reliability. A Cronbach's alpha of .8 or higher is generally

recommended (Field, 2009). I also used descriptive statistics to look for errors in the survey.

### **Data Collection**

I began the full study on December 28, 2013, by e-mailing the 278 remaining local independent retail business owners and managers in the sample. The total population of the purchased list was 618. I chose every second name on the list to produce a random sample population of 309. Because the first 31 were contacted for the pilot study, the remaining 278 were contacted for the full study. These businesspeople were sent an invitation to take a survey and a link to Survey Monkey so participants could respond at their leisure and remain completely anonymous. This strategy served three purposes. First, I saved money because a self-addressed, stamped envelope was not necessary. Second, sending an Internet-based survey made it easier for people to participate. Finally, once entered by the participant, the data were thus digitized and could be downloaded for analysis.

Respondents had the opportunity to request a copy of the completed study at the end of the survey. Instead of taking the respondent's contact information, each person was given my contact information. Respondents could send an e-mail request for a copy of the final study, but that information was separate from the study data.

This survey was divided into two sections. In the first section, the response scale consisted of simply *true* or *false* and was used for the first five questions. Questions 6 through 15 used a 5-point Likert-type scale, where 1 was negative and 5 was positive, with the anchors *strongly disagree*, *disagree*, *neither agree nor disagree*, *agree*, and

*strongly agree*. Several e-mailings were needed to get the required minimum 30 responses, taking weeks longer than expected. I originally estimated two weeks to receive the necessary 30 responses, but the study required four weeks.

### **Data Analysis**

With the receipt of the 30th response, I decided to end the data-gathering stage of this study and begin the data analysis stage. A minimum of 30 responses was required under the Central Limit Theorem, which holds that a minimum of 30 responses is enough to assume a normal distribution in a randomly selected sample (Aczel & Sounderpandian, 2009). A response rate of 10% was in line with what I expected. I began the data analysis with descriptive statistics. Table 1 shows the means, medians, modes, standard deviations, and variances for Questions 6 through 15.

Perhaps the most interesting result found in the descriptive statistics was that the third answer option, “neither agree nor disagree,” was used most often—122 times out of 300 (41%). The next most popular response, “strongly disagree,” was used 100 times (33%). The total number of responses was 300 for the ten questions. The fact that 222 responses, or 74%, were either “neither agree nor disagree” or “strongly disagree” was a strong indicator that the alternative hypotheses would not be supported when analyzed with more advanced analysis techniques.

Table 1

*Descriptive Statistics for Survey Questions 6 Through 15*

	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15
Mean	2.83	2.37	1.90	2.57	2.60	2.80	3.10	2.67	2.33	2.43
Median	3.00	2.50	1.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Mode	3.00	1.00	1.00	3.00	1.00	3.00	3.00	1.00	3.00	3.00
Standard deviation	1.42	1.33	1.06	1.22	1.40	1.19	1.09	1.54	1.18	1.10
Variance	2.01	1.76	1.13	1.50	1.97	1.41	1.20	2.37	1.40	1.22

The first five questions on the survey existed to ensure that the person taking the survey was at least 18 years of age and authorized to speak for the business. I deleted one response that did not qualify because the respondent was not authorized to speak for the business. All of the usable responses were from either a business owner, manager, or person otherwise authorized to speak for the business. All of the respondents indicated they were 18 years old or older. Twenty-nine people claimed that their business had 25 or fewer employees, but two answered that they had greater than 25 employees. Three respondents indicated that they had 50 or more employees. Twenty-seven claimed they did not. Finally, 18 respondents claimed that their employees made \$25,000 per year or less; 12 claimed they did not.

The overwhelming majority of respondents, 97% (29 of 30) represented businesses with 25 or fewer employees. Respondents were more evenly split in terms of employee income. In addition, owners and managers of smaller businesses appeared more likely to answer student surveys. Table 2 shows responses to Questions 1 through 5.

Table 2

*Responses to Questions 1 Through 5*

	Q1	Q2	Q3	Q4	Q5
True	100.00%	100.00%	96.67%	10.00%	60.00%
False	0.00%	0.00%	6.67%	90.00%	40.00%

**Treatment**

The treatment in this study consisted of a 15-question survey of my own design. The survey was available for participants on Survey Monkey to ensure both anonymity and ease of use. Every second name on a marketing list was selected to receive the invitation to ensure a random sample.

I encountered some challenges in administering this survey. First, the e-mail list that I had originally intended to purchase after obtaining permission to conduct this study was no longer available. The company offering the original list had gone out of business. Other companies sell similar marketing lists, and I purchased one such list after obtaining permission to do so from my committee.

After obtaining an appropriate marketing list and selecting every second name on the list to ensure a random sample, I began the pilot study. Originally, I expected the pilot study to take about a week. The pilot study took slightly more than 2 weeks. Originally, I expected the full study to take two weeks. The full study took a little more than four weeks, requiring multiple rounds of e-mailings in which I repeatedly requested that recipients participate in this study. To my knowledge, there were no adverse events associated with businesspeople participating in this study.

## Results

I performed the primary analysis on Questions 6 through 15. Using the Central Limit Theorem, I assumed that with  $n = 30$ , the population was normally distributed. I chose to use  $t$  tests for hypothesis testing because the population standard deviation was unknown, but the sample standard deviation ( $S$ ) was known (Aczel & Sounderpandian, 2009). A  $z$  test would not have been appropriate because the population standard deviation was not known (Aczel & Sounderpandian, 2009). I assumed a  $t$ -distribution with  $(n-1)$  degrees of freedom so that  $t = (\bar{x} - \mu) / (S / \sqrt{n})$  (Aczel & Sounderpandian, 2009, p. 272). As stated in Chapter 3,  $\mu = 3.5$ ,  $df = 29$ , and  $\alpha = .05$ . The null and research hypotheses for each research question were:

$$H_0: \mu < 3.5$$

$$H_1: \mu \geq 3.5$$

**Research Question 1:** To what extent did independent retail businesses in Hillsborough County, Florida, plan a strategic response to the employer mandate? To answer the question, I used  $t$  tests for Questions 7 and 12 from the survey and found  $(\bar{x} = 2.3667, S = 1.3257)$ ,  $t(29) = -4.682$ ,  $p = 1.0$ ,  $CI = 2.3667 \pm 0.49502 = [1.87168, 2.86172]$  and  $(\bar{x} = 3.1, S = 1.0939)$ ,  $t(29) = -2.0024$ ,  $p = .9727$ ,  $CI = 3.1 \pm 0.40847 = [2.69153, 3.50847]$ , respectively, indicating that the alternative hypothesis was not supported. Please see Figure 1 and Table 3. Figure 1 shows the response frequency percentages of Questions 7 and 12, and Table 3 shows the means, medians, and standard deviations of the same questions. The results are illustrated graphically and further show

the  $t$  test results. The majority of respondents chose “strongly disagree” for Question 7.

The majority of the respondents chose “neither agree nor disagree” for Question 12.

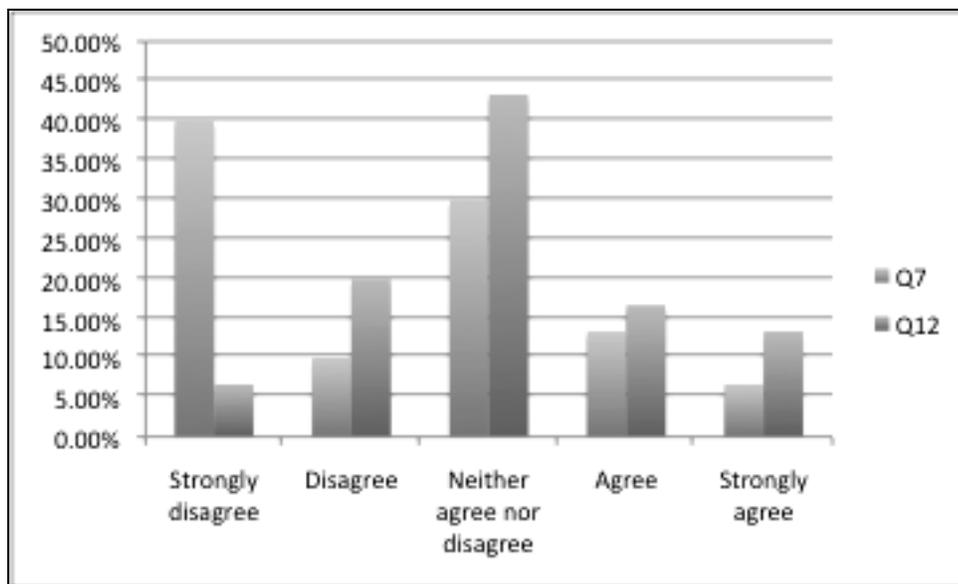


Figure 1. Response frequency percentages for Questions 7 and 12.

Table 3

*Descriptive Statistics for Survey Questions 7 and 12*

	Mean	Median	Standard deviation
Q7	2.37	2.50	1.33
Q12	3.10	3.00	1.09

**Research Question 2:** To what extent did independent retail businesses in Hillsborough County, Florida, intentionally do nothing in response to the employer mandate? To answer the question, I used  $t$  tests for Questions 14 and 15 from the survey and found ( $\bar{x} = 2.3333$ ,  $S = 1.1842$ ),  $t(29) = -5.3957$ ,  $p = 1.0$ ,  $CI = 2.3333 \pm 0.44219 = [1.89111, 2.77549]$  and ( $\bar{x} = 2.4$ ,  $S = 1.0372$ ),  $t(29) = -5.8081$ ,  $p = 1.0$ ,  $CI = 2.4 \pm 0.3873$

= [2.0127, 2.7873], respectively, indicating that the alternative hypothesis was not supported. Please see Figure 2 and Table 4. Figure 2 graphically displays a comparison of Questions 14 and 15 responses, showing the  $t$  test results. Table 4 displays the descriptive statistics for both questions, further explaining the  $t$  test results.

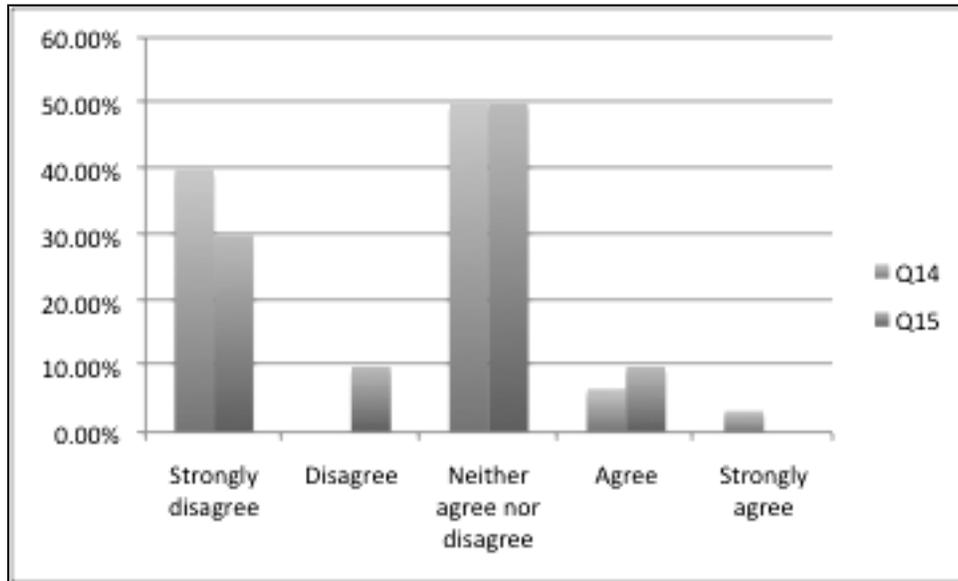


Figure 2. Response frequency percentages for Questions 14 and 15.

Table 4

*Descriptive Statistics for Survey Questions 14 and 15*

	Mean	Median	Standard deviation
Q14	2.33	3.00	1.18
Q15	2.43	3.00	1.10

**Research Question 3:** To what extent did independent retail businesses in Hillsborough County, Florida, use the new healthcare exchanges? To answer the question, I used a  $t$  test for Question 11 from the survey and found ( $\bar{x} = 2.7667$ ,  $S =$

1.1351),  $t(29) = -3.5380$ ,  $p = .9993$ ,  $CI = 2.7667 \pm 0.42385$  [2.34285, 3.19055], indicating that the alternative hypothesis was not supported. Please see Figure 3 and Table 5. Figure 3 only displays frequency results for one question, showing the category with the greatest number of responses. Table 5 shows the descriptive statistics for the question. Because  $t$  tests analyze means, this figure represents a good explanation of the  $t$  test results.

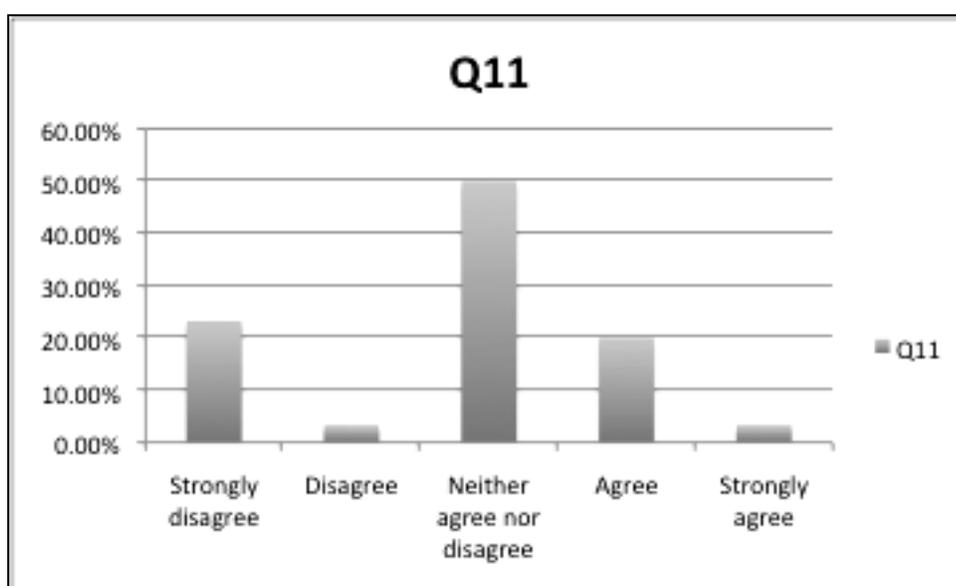


Figure 3. Response frequency percentages for Question 11.

Table 5

*Descriptive Statistics for Survey Question 11*

	Mean	Median	Standard deviation
Q11	2.80	3.00	1.19

**Research Question 4:** To what extent did independent retail businesses in Hillsborough County, Florida, hire fewer employees or lay off existing employees? To

answer this question, I used  $t$  tests for Questions 6 and 8 from the survey and found  $(\bar{x} = 2.8333, S = 1.4162), t(29) = -2.5779, p = .9924, CI = 2.8333 \pm 0.52882 = [2.30448, 3.36212]$  and  $(\bar{x} = 1.9, S = 1.0619), t(29) = -8.2524, p = 1.0, CI = 1.9 \pm 0.39652 = [1.50348, 2.29652]$ , respectively, indicating that the alternative hypothesis was not supported. Please see Figure 4 and Table 6. Figure 4 shows a comparison of the frequency results of Questions 6 and 8. This figure shows the  $t$  test results graphically. Table 6 shows the descriptive statistics for both questions and further shows the  $t$  test results.

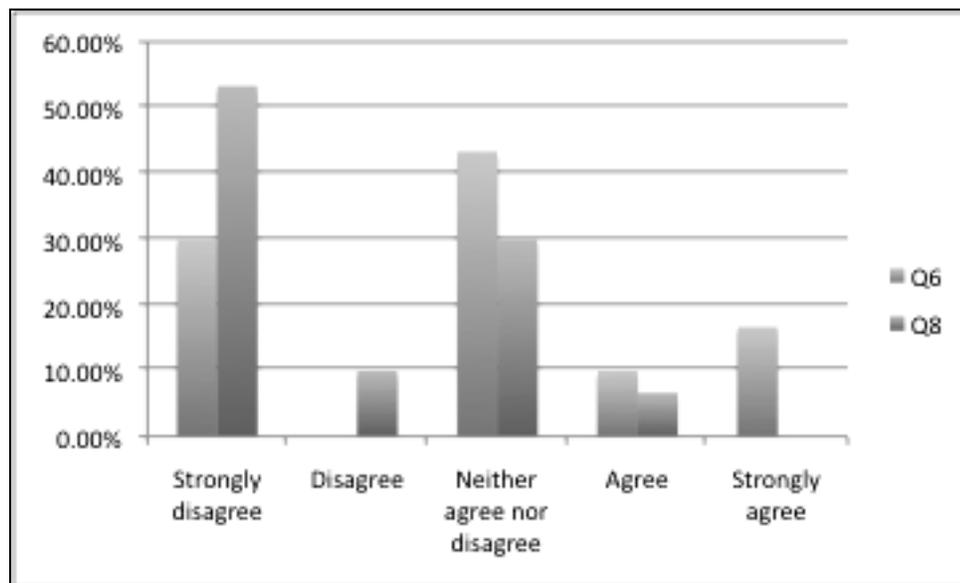


Figure 4. Response frequency percentages for Questions 6 and 8.

Table 6

*Descriptive Statistics for Survey Questions 6 and 8*

	Mean	Median	Standard deviation
Q6	2.83	3.00	1.42
Q8	1.90	1.00	1.06

**Research Question 5:** To what extent did independent retail businesses in Hillsborough County, Florida, use more part-time, seasonal, or independent contract employees? To answer this question, I applied  $t$  tests for Questions 9, 10, and 13 from the survey and found ( $\bar{x} = 2.4333$ ,  $S = 1.1651$ ),  $t(29) = -5.0140$ ,  $p = 1.0$ ,  $CI = 2.4333 \pm 0.43506 = [1.99824, 2.86836]$ ; ( $\bar{x} = 2.7$ ,  $S = 1.3933$ ),  $t(29) = -3.1444$ ,  $p = .9981$ ,  $CI = 2.7 \pm 0.52027 = [2.17973, 3.22027]$ ; and ( $\bar{x} = 2.6667$ ,  $S = 1.5388$ ),  $t(29) = -2.9659$ ,  $p = .9970$ ,  $CI = 2.6667 \pm 0.5746 = [2.0921, 3.2413]$ , respectively, indicating that the alternative hypothesis was not supported. Please see Figure 5 and Table 7. Figure 5 displays the frequency results for questions 9, 10, and 13, which helps to explain the  $t$  test results. Table 7 displays the descriptive statistics for these questions. Notice the mean and standard deviations for Questions 10 and 13. These results supported the  $t$  test results, but indicated that those answers may change in the future.

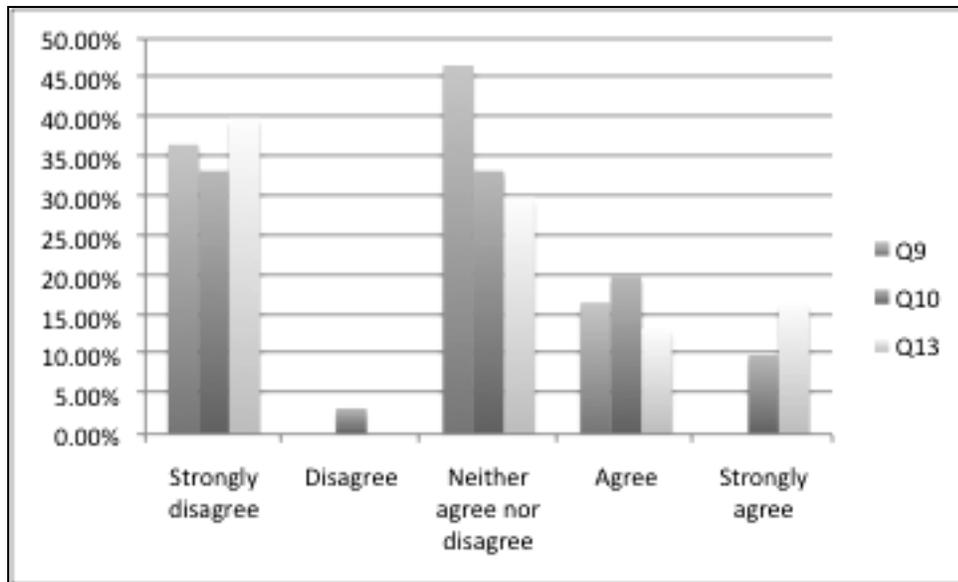


Figure 5. Response frequency percentages for Questions 9, 10, and 13.

Table 7

*Descriptive Statistics for Survey Questions 9, 10, and 13*

	Mean	Median	Standard deviation
Q9	2.57	3.00	1.22
Q10	2.60	3.00	1.40
Q13	2.67	3.00	1.54

Data from a Likert-type scale can be considered ordinal in nature. Ordinal data are data where distance between possible answers is not known. In other words, the distance between “agree” and “strongly agree” is unknown, thus making a comparison of means

irrelevant. To be thorough, I analyzed the data using chi-square goodness-of-fit test, which uses frequencies rather than means.

Questions 6 through 15 were each measured on a 5-point Likert-type scale. The chi-square hypotheses for each question were:

$H_0$ : The five possible answers are not equally preferred by respondents.

$H_1$ : The five possible answers are equally preferred by respondents.

Using an alpha of .05, the critical value for this test was 9.48773 (Aczel & Sounderpandian, 2009, p. 761). There were 30 responses ( $n = 30$ ), with five possible answers ( $k = 5$ ) giving ( $5 - 1 = 4$ ) degrees of freedom ( $df$ ). The expected frequency for each possible answer was 6.0. I calculated the chi-square statistic for each question and found that the smallest value was 11.0 for Question 10, and the largest was 32.3 for Question 14. The chi-square statistic for each question was greater than the critical value, which indicated that each answer was not equally likely to be chosen by respondents.

Table 8 shows the frequency of responses for the survey questions.

Table 8

*Frequency of Answers for Survey Questions 6 Through 15*

	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Total
Strongly disagree	9	12	16	11	10	7	2	12	12	9	100
Disagree	0	3	3	0	1	1	6	0	0	3	17
Neither agree nor disagree	13	9	9	14	10	15	13	9	15	15	122
Agree	3	4	2	5	6	6	5	4	2	3	40
Strongly agree	5	2	0	0	3	1	4	5	1	0	21

For Research Question 1, there was a significant association between businesses intending to offer health insurance and businesses having a strategic response to the PPACA,  $\chi^2 = 12.33$ ,  $p < .05$  and  $\chi^2 = 11.67$ ,  $p < .05$  for Questions 7 and 12, respectively. The alternative hypothesis was not supported. Please see Tables 9 and 10. Tables 9 and 10 display the frequency data and the expected frequencies for each question. The tables also show the chi-square value and  $p$  value for each question.

Table 9

*Frequency Data for Question 7*

Q7					
	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	12	3	9	4	2
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	12.33		
$df =$	4	$p \text{ value} =$	0.0151		

Table 10

*Frequency Data for Question 12*

Q12					
	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	2	6	13	5	4
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	11.67		
$df =$	4	$p \text{ value} =$	0.0200		

For Research Question 2, there was a significant association between businesses accepting the tax penalties, businesses offering health insurance using grandfathered health plans, and businesses intentionally doing nothing in response to the PPACA,  $\chi^2 = 32.33, p < .05$  and  $\chi^2 = 24, p < .05$  for Questions 14 and 15, respectively. The alternative hypothesis was not supported. Please see Tables 11 and 12. Tables 11 and 12 display the frequency data and the expected frequencies for each question. The tables also show the chi-square value and  $p$  value for each question.

Table 11

*Frequency Data for Question 14*

Q14					
	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	12	0	15	2	1
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	32.33		
$df =$	4	$p \text{ value} =$	0.0000		

Table 12

*Frequency Data for Question 15*

Q15					
	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	9	3	15	3	0
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	24		
$df =$	4	$p \text{ value} =$	0.0001		

For Research Question 3, there was a significant association between businesses considering using the SHOP exchange and businesses considering using the healthcare exchange,  $X^2 = 22$ ,  $p < .05$  for Question 11. The alternative hypothesis was not supported. Please see Table 13. Table 13 displays the frequency data and the expected frequency for the question. The table also shows the chi-square value and  $p$  value for Question 11.

Table 13

*Frequency Data for Question 11*

Q11	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	7	1	15	6	1
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	22		
$df =$	4	$p \text{ value} =$	0.0002		

For Research Question 4, there was a significant association between businesses hiring fewer new employees and laying off existing employees in response to the PPACA,  $X^2 = 17.33$ ,  $p < .05$  and  $X^2 = 28.33$ ,  $p < .05$  for Questions 6 and 8, respectively. The alternative hypothesis was not supported. Please see Tables 14 and 15. Tables 14 and 15 display the frequency data and the expected frequencies for each question. The tables also show the chi-square value and  $p$  value for each question.

Table 14

*Frequency Data for Question 6*

Q6	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	9	0	13	3	5
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	17.33		
$df =$	4	$p\ value =$	0.0017		

Table 15

*Frequency Data for Question 8*

Q8	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	16	3	9	2	0
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	28.33		
$df =$	4	$p\ value =$	0.0000		

For Research Question 5, there was a significant association between businesses considering using more part-time, seasonal, or independent contract employees in response to the PPACA,  $\chi^2 = 27, p < .05$  and  $\chi^2 = 11, p < .05$  and  $\chi^2 = 14.33, p < .05$  for Questions 9, 10, and 13, respectively. The alternative hypothesis was not supported. Please see Tables 16, 17, and 18. Tables 16, 17, and 18 display the frequency data and the

expected frequencies for each question. The tables also show the chi-square value and  $p$  value for each question.

Table 16

*Frequency Data for Question 9*

Q9					
	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	11	0	14	5	0
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	27		
$df =$	4	$p \text{ value} =$	0.0000		

Table 17

*Frequency Data for Question 10*

Q10					
	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	10	1	10	6	3
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	11		
$df =$	4	$p \text{ value} =$	0.0266		

Table 18

*Frequency Data for Question 13*

Q13	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Actual	12	0	9	4	5
Expected	6	6	6	6	6
$k =$	5	$\chi^2 =$	14.33		
$df =$	4	$p \text{ value} =$	0.0063		

**Comparison to the Literature**

Some interesting insights were revealed from comparing the survey question results with the literature that inspired the questions. The first two survey questions were qualifying questions and required no analysis. For Question 3, 29 out of 30 respondents indicated that their business had 25 or fewer employees. This question was asked in conjunction with Question 5—“My employees make \$25,000 per year or less”—because of the available tax credit. Businesses with 25 or fewer employees who earn \$25,000 or less qualify for a tax credit of up to 50% of the employer contribution toward employee health insurance (Bernardi, 2014). More than one half of respondents were eligible to take advantage of the tax credit because 60% of Question 5 respondents answered that their employees made \$25,000 or less. Question 4 was “My business has 50 or more employees.” Only three of 30 (10%) indicated this was true. This question was important because at the threshold of 50 or more employees, the penalty for not offering health insurance increases from \$250 per employee per month to \$2000 to \$3000 per employee

per month (Cordell & Langdon, 2012). That is potentially a large increase in applicable tax penalties and therefore worth noting.

The aforementioned tax credit and tax penalties were the reason I included Question 6, “My business will hire fewer new employees in response to the PPACA.” The tax credit and penalties were also the reason for including Question 7, “My business does not currently offer health insurance to all employees, but will do so when the PPACA goes into effect,” and Question 15, “My business will continue to offer health insurance benefits to employees using the existing grandfathered plan” (Bernardi, 2014; Cordell & Langdon, 2012). The results of Question 6 were balanced, with nine respondents choosing “strongly disagree,” eight respondents choosing either “agree” or “strongly agree,” and 13 choosing “neither agree nor disagree.” Question 7, however, was not balanced: half of the respondents (15) chose either “disagree” or “strongly disagree,” and another nine chose “neither agree nor disagree.” Question 15 also was not balanced: Only three respondents answered “agree” or “strongly agree,” indicating that these independent retail business owners did not offer health insurance and were not going to offer health insurance. They also were not going to hire fewer employees in an attempt to keep the tax penalties low, although, given the previously mentioned number of responses indicating 25 employees or less, this probably was not an issue for these survey respondents. In a similar study involving a survey of small Wisconsin farmers, researchers found that more than one half of respondents would probably not offer health insurance benefits to their employees (Boubacar & Foster, 2014).

For survey question three, 97% of respondents indicated their businesses had 25 or fewer employees, which explained the responses to Questions 8 and 14. Question 8 was “My business will lay off employees in response to the PPACA,” and Question 14 was “My business will pay the tax penalties rather than offer health insurance benefits in response to the PPACA.” For Question 8, there were only two responses for “agree” or “strongly agree,” and for Question 14 only three responses were either “agree” or “strongly agree.” These responses indicated that the tax credit and the potential tax penalty were not motivating independent retail business owners (Bernardi, 2014).

Questions 9, 10, and 13 refer to specific loopholes in the PPACA, in which part-time, seasonal, and independent contractor employees are excluded from the employer mandate (Gilliland, 2011; U.S. Congress, 2010). Question 9 was “My business will use more independent contractors in response to the PPACA.” Question 10 was “My business will use more seasonal employees in response to the PPACA, and Question 13 was “My business will use more part-time labor in response to the PPACA.” As the responses in Table 2 show, the responses were balanced for Question 9, with 19 respondents choosing “agree” or “neither agree nor disagree.” Question 10 showed nine respondents choosing either “agree” or “strongly agree” and another 10 respondents choosing “neither agree nor disagree.” For Question 13, 18 respondents chose “agree,” “strongly agree” or “neither agree nor disagree.” Although the alternative hypothesis connected to these questions was not supported, it is interesting to note that it could have been if respondents had been better informed. I expected a different result for these questions because the advantages seem clear. Given the large number of “neither agree nor disagree” responses

for the three questions (14, 10, and 15, respectively), independent retail business people could use some help understanding their options.

Question 11 was “My business will consider using the Small Business Health Options Program (SHOP) exchange to purchase health insurance benefits for employees.” The idea behind this question was simply a reference to the healthcare.gov Web site (U.S. Centers for Medicare & Medicaid Services, 2013). Given the success of this format in places like Massachusetts and elsewhere, the validity of the responses to this question was suspect. I would have expected every respondent to indicate a willingness to consider this option, based on the findings of previous researchers (Holahan & Blumberg, 2006; Mondal, 2013). Instead, I found a balanced response, with seven respondents choosing either “agree” or “strongly agree” and eight respondents choosing either “strongly disagree” or “disagree.” Half of the responses to this question were “neither agree nor disagree,” which further indicated a possible lack of understanding on the part of respondents.

Question 12 was “I plan to have a strategic response to the employer mandate portion of the PPACA for my business.” Question 12 was a “catch-all” question not directly tied to the literature, but inspired by the literature. I added the question to give participants an opportunity to make an unambiguous declaration; however, the responses did not occur as expected. Again, there was a balanced response, with nine respondents choosing either “agree” or “strongly agree,” eight respondents choosing either “strongly disagree” or “disagree,” and 13 respondents choosing “neither agree nor disagree.” Collectively, business owners did not seem to know if they had a plan or not. Boubacar

and Foster (2014) surveyed a sample of small farm owners in Wisconsin. Although the geography and the industry were different, the researchers reported that more than one half of respondents to their study did not plan a strategic response to the PPACA (Boubacar & Foster, 2014).

### **Summary**

This study consisted of a survey e-mailed to 309 independent retail businesses in Hillsborough County, Florida, in December 2013. After receiving the minimum number of responses (30), I began analyzing the data. Using descriptive statistics, *t* tests, and chi-square goodness-of-fit tests, I found that the alternative hypothesis was not supported for each research question. These results indicated that this sample of independent retail businesses in Hillsborough County, Florida, had not planned a strategic response to the PPACA. These businesspeople did not seem to know what to do. They were not intentionally choosing to pay penalties and not intentionally choosing to use the new healthcare exchange. They were not planning to hire fewer new employees or lay off existing employees, and they were not planning on using more part-time, seasonal, or independent contract employees. These results corroborate a recent study of small farmers in Wisconsin in which the researchers reported similar results (Boubacar & Foster, 2014). I interpret these results to mean that, at least in the near term, the PPACA will not have an adverse effect on new job creation.

In the final chapter, I discuss the interpretations of findings and the implications for social change. I offer recommendations for both actions and further study. Finally, I note the limitations of this study.

## Chapter 5: Interpretations, Implications, and Conclusions

### **Introduction**

My intention with this study was to examine how the PPACA may affect job creation. To that end, I chose to survey independent retail businesses in Hillsborough County, Florida. I sent e-mail invitations to 309 independent retail businesses in Hillsborough County, and I included a link to a Survey Monkey Web page where respondents could take the survey online. The survey was completely anonymous and consisted of 15 questions. The first five questions were true-or-false questions and were demographic in nature. The remaining questions were intended to test the hypotheses using a 5-point Likert-type scale. The hypotheses focused on actions business owners and managers might take in response to the PPACA. I tested five alternative hypotheses; all five were not supported. This finding, along with the fact that 41% of the responses were “neither agree nor disagree,” indicated a lack of understanding of the new law on the part of the independent retail businesspeople in the sample.

### **Interpretation of Findings**

The response to Research Question 1, “To what extent did independent retail businesses in Hillsborough County, Florida, plan a strategic response to the employer mandate,” showed that participants overwhelmingly did not plan a strategic response to the employer mandate. The null and research hypotheses were:

*H*<sub>0</sub>: Independent retail businesses in Hillsborough County, Florida, will not plan a strategic response to the employer mandate.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, will plan a strategic response to the employer mandate.

The mean answer for Questions 7 and 12 were 2.3667 and 3.1, respectively. The  $t$  test results—( $\bar{x} = 2.3667$ ,  $S = 1.3257$ ),  $t(29) = -4.682$ ,  $p = 1.0$ ,  $CI = 2.3667 \pm 0.49502 = [1.87168, 2.86172]$  and ( $\bar{x} = 3.1$ ,  $S = 1.0939$ ),  $t(29) = -2.0024$ ,  $p = .9727$ ,  $CI = 3.1 \pm 0.40847 = [2.69153, 3.50847]$ —indicated the alternative hypothesis was not supported. The chi-square test results were  $X^2 = 12.33$ ,  $p < .05$  and  $X^2 = 11.67$ ,  $p < .05$  for Questions 7 and 12, respectively, which also indicated the alternative hypothesis was not supported. Unquestionably, respondents had no plan to address the PPACA even as it was going fully into effect. Independent retail business owners in Hillsborough County, did not have a strategic plan to address the PPACA because they likely did not fully understand their rights and responsibilities under the new law. The possibility that independent retail business owners did not fully understand their rights and responsibilities under the PPACA is not surprising. As stated previously, nearly a third of large private firms included in a survey did not know how the PPACA would affect their businesses (Hansen, 2011).

Research Question 2 was, “To what extent did independent retail businesses in Hillsborough County, Florida, intentionally do nothing in response to the employer mandate?” The supporting null and research hypotheses were:

$H_0$ : Independent retail businesses in Hillsborough County, Florida, will not intentionally do anything in response to the employer mandate.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, will intentionally do nothing in response to the employer mandate.

The  $t$  test showed that for Questions 14 and 15, ( $\bar{x} = 2.3333$ ,  $S = 1.1842$ ),  $t(29) = -5.3957$ ,  $p = 1.0$ ,  $CI = 2.3333 \pm 0.44219 = [1.89111, 2.77549]$  and ( $\bar{x} = 2.4$ ,  $S = 1.0372$ ),  $t(29) = -5.8081$ ,  $p = 1.0$ ,  $CI = 2.4 \pm 0.3873 = [2.0127, 2.7873]$ , the alternative hypothesis was not supported. The chi-square tests showed  $X^2 = 32.33$ ,  $p < .05$  and  $X^2 = 24$ ,  $p < .05$  for Questions 14 and 15, respectively, which also indicated that the alternative hypothesis was not supported. In addition, one half of all the responses to each of the questions used to measure this research question were “neither agree nor disagree.” It is unlikely that respondents did not understand the simple survey questions; therefore, they may not have had a ready answer. The middle answer was essentially “I don’t know.” All but three responses for both Questions 14 and 15 were “neither agree nor disagree,” “disagree,” or “strongly disagree.” I interpret this finding to mean that respondents were unsure how to proceed.

For Research Question 2, I did not expect that the alternative hypothesis would not be supported. Given that 97% of respondents stated their businesses had 25 or fewer employees and that 60% of respondents stated their employees earned \$25,000 a year or less, a legitimate strategic response would have been to “do nothing” intentionally and accept the tax penalty (Cordell & Langdon, 2012). Because the tax penalty would be only \$250 per employee per month, this response represented a comparatively inexpensive option (Gilliland, 2011). Alternatively, employers could take the tax credit of up to one half of the employer contribution toward employee health insurance (Bernardi, 2014).

This strategy would put the retailer in compliance with the law and provide employees with health insurance benefits at an affordable cost.

Research Question 3 was “To what extent did independent retail businesses in Hillsborough County, Florida, use the new healthcare exchanges?” The null and research hypotheses supporting this question were as follows:

$H_0$ : Independent retail businesses in Hillsborough County, Florida, will not use the new healthcare exchanges.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, will use the new healthcare exchanges.

Question 11 was used for this hypothesis. The  $t$  test results were ( $\bar{x} = 2.7667$ ,  $S = 1.1351$ ),  $t(29) = -3.5380$ ,  $p = .9993$ ,  $CI = 2.7667 \pm 0.42385$  [2.34285, 3.19055] indicating the alternative hypothesis was not supported. The chi-square result was  $X^2 = 22$ ,  $p < .05$ , which also indicated the alternative hypothesis was not supported. This result was surprising given there has been so much media attention regarding problems with the rollout of the healthcare.gov Web site, the federal government’s healthcare exchange (U.S. Centers for Medicare & Medicaid Services, 2013). This answer may change in the near future as people become comfortable with the exchange. The responses to this question were balanced: One half of the respondents chose “neither agree nor disagree.” Eight respondents chose either “strongly disagree” or “disagree,” and seven respondents chose either “agree” or “strongly agree.” I interpret these findings to mean that as business owners learn more about the healthcare.gov exchange, they may begin to use it even though right now their responses indicated they would not.

Another reason the result for Research Question 3 was surprising was the tax credit, mentioned earlier, which is available for businesses with 25 or fewer employees. Of this sample, 97% of the respondents appeared to qualify for this option. Because 60% of respondents also indicated their employees made \$25,000 a year or less, those employers could have offered health insurance from the SHOP exchange. They would then qualify for a substantial tax credit of up to 50% of the employer contribution (Bernardi, 2014).

Research Question 4 was “To what extent did independent retail businesses in Hillsborough County, Florida, hire fewer employees or lay off existing employees?” The null and research hypotheses supporting this research question were as follows:

$H_0$ : Independent retail businesses in Hillsborough County, Florida, will not hire fewer employees or lay off existing employees.

$H_1$ : Independent retail businesses in Hillsborough County, Florida, will hire fewer employees or lay off existing employees.

The  $t$  tests for questions 6 and 8 showed ( $\bar{x} = 2.8333$ ,  $S = 1.4162$ ),  $t(29) = -2.5779$ ,  $p = .9924$ ,  $CI = 2.8333 \pm 0.52882 = [2.30448, 3.36212]$  and ( $\bar{x} = 1.9$ ,  $S = 1.0619$ ),  $t(29) = -8.2524$ ,  $p = 1.0$ ,  $CI = 1.9 \pm 0.39652 = [1.50348, 2.29652]$ , indicating the alternative hypothesis was not supported. The chi-square showed  $X^2 = 17.33$ ,  $p < .05$  and  $X^2 = 28.33$ ,  $p < .05$  for Questions 6 and 8, respectively. Question 8 was decisively answered as “strongly disagree,” further indicating the alternative hypothesis was not supported. This result could be viewed as meaning that these independent businesspeople will not lay off employees or slow hiring. The questions were “My business will hire

fewer new employees in response to the Patient Protection and Affordable Care Act (PPACA)” and “My business will lay off employees in response to the PPACA.” These questions were not ambiguous in any way; therefore, I must conclude that the PPACA will not affect job creation for this sample of independent retail businesses in Hillsborough County, Florida. Given this finding that 97% of survey respondents had 25 or fewer employees, this interpretation is reasonable. The strategy of laying off employees or hiring fewer employees would make sense for a business with 50 or more employees, given the potential tax penalty, but not for such small independent businesses (Cordell & Langdon, 2012).

Research Question 5 was “To what extent did independent retail businesses in Hillsborough County, Florida, use more part-time, seasonal, or independent contract employees?” The null and research hypotheses supporting this research question were as follows:

$H_0$ : Independent retail businesses in Hillsborough County, Florida, will not use more part-time, seasonal, or independent contract employees

$H_1$ : Independent retail businesses in Hillsborough County, Florida, will use more part-time, seasonal, or independent contract employees.

The  $t$  test results of ( $\bar{x} = 2.4333$ ,  $S = 1.1651$ ),  $t(29) = -5.0140$ ,  $p = 1.0$ ,  $CI = 2.4333 \pm 0.43506 = [1.99824, 2.86836]$ ; ( $\bar{x} = 2.7$ ,  $S = 1.3933$ ),  $t(29) = -3.1444$ ,  $p = .9981$ ,  $CI = 2.7 \pm 0.52027 = [2.17973, 3.22027]$ ; and ( $\bar{x} = 2.6667$ ,  $S = 1.5388$ ),  $t(29) = -2.9659$ ,  $p = .9970$ ,  $CI = 2.6667 \pm 0.5746 = [2.0921, 3.2413]$  indicated the alternative hypothesis was not supported. The chi-square results also showed a lack of

support,  $X^2 = 27, p < .05$  and  $X^2 = 11, p < .05$  and  $X^2 = 14.33, p < .05$  for Questions 9, 10, and 13, respectively. However, it is interesting to note the similarities in the means of Questions 9, 10, and 13. These means were 2.5667, 2.6, and 2.6667, respectively. It seems that respondents did not intend to use independent contractors, part-time, or seasonal help at this time. That intention may change, however, because Questions 10 and 13 showed a greater number of “agree” and “strongly agree” responses. In short, the alternative hypothesis was not supported, but I believe there is reason to think, based on the frequency of responses to these questions, that this may change in the future.

It appears that these independent retail businesses in Hillsborough County, Florida, will not use more part-time, seasonal, or independent contractor employees. This finding was surprising because under the PPACA, employers are not required to offer health insurance to these types of employees (U.S. Congress, 2010). I expected to see a great deal of interest in part-time employment, given this fact, in keeping with the experience of countries such as The Netherlands and Germany (Gilliland, 2011; Schmid, 2011).

### **Limitations of the Study**

Several limitations of this study are described in this section. First, I will never know the identities of the people that responded to the survey. There will be no follow-up study with the same participants. The number of respondents at 30 was large enough to make certain assumptions such as a normal distribution, but a larger response rate would have provided more certainty (Aczel & Sounderpandian, 2009). Of those who responded, 97% represented businesses with 25 or fewer employees. Thus, businesses with more

than 25 employees were not well represented in this study. Despite this limitation, I believe that the results of this study can be generalized to other retailers with 25 or fewer employees throughout the Tampa Bay Metro Area even if they are in a different category of retailing. A further practical limitation of the study was that I used a survey. Surveys do not collect in-depth data, compared to qualitative methods such as interviews, but it is often easier to get people to participate in a survey. Another limitation of this study was that only a small number of the total population contacted responded to the study.

### **Recommendations for Action**

The recommendations for action are straightforward. I recommend that policymakers specifically target the community of independent businesses with information about their rights and responsibilities under the new law. The specific policymakers to whom I refer are members of the Obama Administration; the government of the State of Florida has abdicated responsibility for this issue. I recommend that the Administration undertake three types of actions: (a) run public service announcements targeted toward independent businesses, (b) launch a direct mail campaign targeting independent businesses, and (c) promote the healthcare.gov Web site using an online campaign with Google AdWords. These activities are described in more detail in the following paragraphs.

First, the Obama Administration should run public service announcements nationwide targeting small businesses. The Administration is doing this for individuals, so clearly it could also do this for small businesses. Given that the results of this study, and of at least one other study, have indicated a lack of understanding on the part of small

employers, a simple way for the Administration to educate these small employers is to run public service announcements. This would help independent businesses comply with the law and help more individuals obtain health insurance.

Second, launching a direct mail campaign may effectively reach independent business owners. All respondents to this survey and all independent businesses in general likely have a business license. Because business owners are required to obtain a business license, the state and local governments have the contact information for each business. It would be a simple matter to send a notice to each independent business. The government agencies could even include such a notice with the tax forms mailed to each business at the beginning of each year. This is a cost effective method of informing these business owners and allows the government to reach people who may not watch enough television to see a public service announcement.

Finally, there is a great deal of useful information for independent businesses at the [healthcare.gov](http://healthcare.gov) exchange Web site; the administration should focus on driving independent businesspeople to that Web site. I also recommend the government target independent businesspeople by using a Google Adwords campaign. Google Adwords is service offered by Google in which, based on the search terms entered, advertisements appear to the side of the computer screen. It is an effective way to reach people who watch little television, and who may not read direct mail advertisements. The organization advertising using Google Adwords is charged only if a potential customer clicks on their advertisement link. For the [healthcare.gov](http://healthcare.gov) Web site, the advertising link would simply take the potential customer to the web site where there is a great deal of

information for independent businesspeople. This is a cost-effective method for reaching people.

These three recommended actions, if implemented, would reach a great many independent businesspeople. If these people visit the [healthcare.gov](http://healthcare.gov) insurance marketplace exchange, they will find information and guidance regarding their rights and responsibilities under the PPACA. They can also find and compare insurance plans they could potentially offer their employees.

The reason that I recommend the Obama Administration take these proposed actions is that this issue of business owners' understanding of the PPACA is important for independent businesses and the economy as a whole. It is important for the economy as a whole because so many new jobs are created by independent businesses (Fairlie et al., 2010; Monahan, Shah, & Mattare, 2011). If independent businesses are not aware of their rights and responsibilities under the new law, those businesses could be forced to pay tax penalties and could lose quality employees (Gardner et al., 2010). Either possibility could restrict the growth of independent businesses and, if this happens to enough businesses, the economy as a whole. If independent businesses can take advantage of the opportunities presented by the PPACA, then such businesses may be able to grow and produce more jobs. If enough independent businesses begin to grow, the economy as a whole will grow.

As small independent businesses begin to offer health insurance, employees will have more reasons to stay with that employer. Given that such a large percentage of the U.S. population is employed by small businesses, employer sponsored health insurance

can become a stabilizing factor for the economy as a whole (Fairlie et al., 2010). As the U.S. economy slowly recovers from the last economic downturn, workforce stability is important. Providing employees with health insurance conveys business owners' confidence in the future prospects of their businesses. As employees come to understand that their jobs are safer than they have been, they will become more confident. As employees become more confident, they will make more purchases, possibly including big purchases such as homes, cars, and other durable goods. This trend helps the economy as a whole grow.

Small independent business owners who do not understand their rights and responsibilities under the PPACA could be at a disadvantage. Not only could they miss the opportunity to take advantage of available tax credits, but also they could be forced to pay tax penalties (Gardner et al., 2010). These penalties probably would not bankrupt a firm, but could present a disadvantage in the marketplace of quality employees. If a competitor pays a comparable wage, but also offers health insurance, a business that does not offer health insurance is at a distinct disadvantage. This disadvantage may not mean much in the short term, but as people get used to the idea of health insurance being required, it could become an important issue for prospective employees.

As experienced, quality employees begin to make the rational decision to work only for employers that offer health insurance, employers that do not offer health insurance will have to accept lesser quality employees. These employees may be less reliable, which can hurt businesses—especially service businesses. As customers compare experiences at various independent businesses, it will become clear which

businesses have rude or incompetent employees. Such information can be disseminated very quickly on social media. Businesses that earn reputations for poor service or unreliable employees will have difficulty growing.

The actions that I previously recommended the Obama Administration take in regards to informing independent businesspeople about their rights and responsibilities under the PPACA are intended to help make a positive difference in the lives of independent businesspeople. This in turn can make a positive difference in the lives of employees. This could result in more and better jobs. As more numbers of independent businesses benefit from the PPACA and grow, the more the economy as a whole will grow. A growing economy and job market is the positive social change that I seek to encourage with this project.

### **Recommendations for Further Study**

I recommend that future research should use a mixed-methods approach to determine how independent retail businesses in Hillsborough County, plan to respond strategically to the employer mandate in the PPACA. I suggest the study take place in 2 years because, as of this writing, the first year of implementation of the PPACA is complete. Two years gives independent retail businesses more time to adjust to the law. In this study, I surveyed independent businesspeople to determine their intentions regarding the PPACA just as the law went fully into effect on January 1, 2014. Although it would be interesting to see how attitudes and understanding change with time, a more in-depth study would be useful. Interviewing a handful of independent businesspeople in two years would generate insight into the effect this law may have had on job creation.

With a mixed-methods study, researchers can delve more deeply into some of the questions raised by this study, such as “Why not use more part-time labor” or “Why not use the new healthcare exchange?” Another question to ask in future studies is “Did your attitudes change with time?”

Another reason for a more in-depth study in the future is to gauge the effects of the PPACA on independent retail businesses. Although it would be interesting to learn what attitudes and ideas changed with time, it would also be interesting to learn what business changes will be made with time. It is one thing to ask business owners what they plan to do; it is another thing to ask what business owners actually did. With a mixed-methods study, researchers can discover why business owners took some actions and not others. These answers could help inform business leaders and policymakers about the effects of this law on independent businesses with time.

### **Implications for Social Change**

The implications for social change produced by this study include the realization that independent retail business owners and managers in Hillsborough County, Florida, are unsure of the effect of this new law on their businesses. The fact that many independent businesspeople were confused about or unaware of their responsibilities and options under the PPACA indicates an opportunity exists to help them make beneficial choices with their healthcare under the new law. From the beginning, my goal was to encourage positive social change through job creation. The information provided in the preceding chapter can be used as a catalyst for the desired change by giving policymakers some insight into what may be happening in the community of independent businesses.

The Obama Administration would be well served to ensure that independent business owners in Hillsborough County, as well as in other locations across the nation, are informed about their options. Positive changes could result. By positive changes, I mean that if independent business owners were informed of their options under the PPACA, they could likely make better decisions. Such actions could help reduce the uncertainty that appeared to be troubling the businesspeople I surveyed. Uncertainty is bad for the economy as a whole, whether it is the economy of Hillsborough County, or the economy of the United States.

### **Conclusions**

I surveyed 309 independent retail businesses in Hillsborough County, about their reactions and intentions toward the PPACA. I learned through this study that these independent retail businesspeople in Hillsborough County, Florida, were not ready for the PPACA. They did not know much about what the employer mandate meant for them. The PPACA can be either a help or a hindrance to job creation, and the difference will depend on the understanding of independent businesspeople. The Obama Administration is responsible for doing a better job of disseminating information about the law. The better-informed independent businesspeople become; the better the result of this law will be. Brief summaries of the findings follow.

Research Question 1, “To what extent did independent retail, businesses in Hillsborough County, Florida, plan a strategic response to the employer mandate” was addressed using *t* tests for Questions 7 and 12. I found that the alternative hypothesis (independent retail businesses in Hillsborough County, Florida, will plan a strategic

response to the employer mandate) was not supported. I checked and confirmed that result using the chi-square goodness-of-fit test.

Research Question 2, “To what extent did independent retail, businesses in Hillsborough County, Florida, intentionally do nothing in response to the employer mandate,” was addressed using *t* tests for Questions 14 and 15. I found that the alternative hypothesis (independent retail businesses in Hillsborough County, Florida, will intentionally do anything in response to the employer mandate) was not supported. I checked and confirmed that result using the chi-square goodness-of-fit test.

Research Question 3, “To what extent did independent retail, businesses in Hillsborough County, Florida, use the new healthcare exchanges” was addressed using a *t* test for Question 11. I found that the alternative hypothesis (independent retail businesses in Hillsborough County, Florida, will use the new healthcare exchanges) was not supported. I checked and confirmed that result using the chi-square goodness-of-fit test.

Research Question 4, “To what extent did independent retail businesses in Hillsborough County, Florida, hire fewer employees or lay off existing employees” was addressed using *t* tests for Questions 6 and 8. I found that the alternative hypothesis (independent retail businesses in Hillsborough County, Florida, will hire fewer employees, or lay off existing employees) was not supported. I checked and confirmed that result using the chi-square goodness-of-fit test.

Research Question 5, “To what extent did independent retail businesses in Hillsborough County, Florida, use more part-time, seasonal, or independent contract employees” was addressed using *t* tests for Questions 9, 10, and 13. I found that the

alternative hypothesis (independent retail businesses in Hillsborough County, Florida, will use more part-time, seasonal, or independent contract employees) was not supported. I checked and confirmed that result using the chi-square goodness-of-fit test.

The alternative hypotheses for each research question were not supported based on the results of *t* tests. The chi-square test results also supported the conclusions, as did the results of the descriptive statistics. Independent retail business owners in Hillsborough County, did not have a strategic response to the employer mandate in the PPACA. However, these business owners did not intend to intentionally “do nothing” as a strategy. Although they did not offer healthcare benefits, they did not intend to accept the tax penalties, which indicated a lack of understanding of their options under the law. At this time, independent retail business owners did not intend to use the healthcare.gov Web site to obtain healthcare benefits for their employees. They did not intend to lay off employees or slow hiring as a result of the PPACA. These independent retail business owners did not intend to use more part-time, seasonal, or independent contract workers. This study was similar to a recent study in Wisconsin that surveyed small farmers. The results of this study helped to corroborate the similar results of the Wisconsin study (Boubacar & Foster, 2014).

I conclude, based on the responses to the survey, that respondents were confused about the PPACA and their responsibilities under the new law; therefore, it is necessary for policymakers to do a better job of disseminating information about the law to independent businesses. This was a small study with only 30 respondents. I recommend a larger follow-up study in two years using mixed-methods.

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## Appendix A: Survey

Please answer by choosing the selection that is most fitting.

1= strongly disagree 2= disagree 3= neither agree nor disagree 4= agree 5= strongly agree

1. I am either the owner of my business, or I am authorized to speak for my business.
  - a.) True
  - b.) False
2. I am 18 years old or older.
  - a.) True
  - b.) False
3. My business has 25 or fewer employees.
  - a.) True
  - b.) False
4. My business has 50 or more employees.
  - a.) True
  - b.) False
5. All my employees make \$25000 per year or less.
  - a.) True
  - b.) False
6. My business will hire fewer new employees in response to the Patient Protection and Affordable Care Act (PPACA).
 

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
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7. My business does not currently offer health insurance to all employees, but will do so when the PPACA goes into effect.
 

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
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8. My business will lay off employees in response to the PPACA.

**1                    2                    3                    4                    5**

9. My business will use more independent contractors in response to the PPACA.

**1                    2                    3                    4                    5**

10. My business will use more seasonal employees in response to the PPACA.

**1                    2                    3                    4                    5**

11. My business will consider using the Small Business Health Options Program

(SHOP) exchange ([www.healthcare.gov](http://www.healthcare.gov)) to purchase health insurance benefits for employees.

**1                    2                    3                    4                    5**

12. I plan to have a strategic response to the employer mandate portion of the PPACA for my business.

**1                    2                    3                    4                    5**

13. My business will use more part-time labor in response to the PPACA.

**1                    2                    3                    4                    5**

14. My business will pay the tax penalties rather than offer health insurance benefits in response to the PPACA.

**1                    2                    3                    4                    5**

15. My business will continue to offer health insurance benefits to employees using the existing grandfathered plan.

**1                    2                    3                    4                    5**

## Appendix B: Introductory E-mail

Dear Sir or Madam,

Please help your community learn more about the effect of the Affordable Care Act (aka “Obamacare”). I am a graduate student conducting a study on the reaction of independent business owners and managers to the employer mandate portion of the new law. Now that the Supreme Court has determined that the law is Constitutional, every business in the nation must think about what they plan to do. This is where you can help.

I am taking a survey of independent retail businesses in Hillsborough County to learn how people like you are reacting to the law. Please take just a few minutes of your time to visit [www.SurveyMonkey.com](http://www.SurveyMonkey.com) to participate in this short, 15-question survey. All participants will be anonymous so you can share your thoughts without worrying about what other people might think. There is no cost to you, and you will not receive any “spam” as a result of your participation. I will contact you after your participation only if you request a copy of the completed study. This study will be published with the hope that this information will help to guide community and business leaders regarding this titanic change in the American business landscape.

Thank you in advance for your participation.

Sincerely,

Bradley A. Hall  
Tampa, Florida

## Appendix C: SIC Code Definitions

5399: Independent retail businesses (OSHA, 2010).

5699: Miscellaneous apparel and accessory stores (OSHA, 2010).

5999: Miscellaneous retail stores, not elsewhere classified (OSHA, 2010).

