



Marketplace Coverage of Small Business Owners and Self-Employed Workers

The Affordable Care Act (ACA) Marketplace has led to substantial coverage gains among small business owners and self-employed individuals. The enhanced premium tax credits introduced by the American Rescue Plan and the Inflation Reduction Act have contributed to further increases in Marketplace coverage among small business owners and self-employed workers.

KEY POINTS

- Prior to the passage of the ACA, small businesses and self-employed workers had limited access to affordable health insurance. In 2011, roughly 3 in 10 self-employed workers were uninsured.
- The Marketplaces established by the ACA introduced new coverage options for self-employed workers and others without access to affordable employer-sponsored health insurance. According to tax data from the U.S. Department of the Treasury, 3.3 million small business owners and self-employed adults obtained health insurance through the Marketplaces in 2022.
- Small business owners and self-employed workers have long accounted for a disproportionate share of Marketplace enrollment. In 2022, they represented 28 percent of Marketplace enrollment among working-age adults.
- According to data from the U.S. Census Bureau's American Community Survey, in 2022, 17.9 percent of self-employed workers between the ages of 21 and 64 were uninsured. This rate is roughly 12 percentage points lower than it was in 2011, before the main coverage provisions of the ACA went into effect.

Introduction

The central role that employers play in financing health care has long been a distinctive feature of the U.S. health care system. This can be traced to the tax exclusion of employer payments for health insurance as well as efficiencies associated with large group purchasing.¹ Historically, health insurance purchased by self-employed workers did not receive the same tax subsidy as employer-sponsored group insurance and small firms could not achieve the same efficiencies from economies of scale and risk pooling as did large employers. As a result, self-employed workers were significantly less likely to have health insurance than otherwise similar wage and salary workers. Prior to the passage of the ACA, limited access to affordable health insurance options was found to be a deterrent to entrepreneurship.^{2,3,4}

The health insurance Marketplaces established by the ACA were designed to extend the advantages enjoyed by employer-sponsored groups to individuals without access to employment-based coverage, including self-

employed workers. Importantly, the ACA established income-based premium tax credits for purchasing coverage through the Marketplaces and prohibited discriminatory underwriting practices both within and outside the Marketplaces. The ACA helped stabilize health costs for small business owners that provide health benefits to their employees.⁵ Building on these benefits, the 2021 American Rescue Plan (ARP) expanded the affordability of Marketplace coverage by extending eligibility for premium tax credits to middle-income consumers and increasing premium tax credits for low-income consumers. The Inflation Reduction Act (IRA) of 2022 extended these enhanced subsidies through 2025.

The enhanced subsidies combined with a significant investment in education and outreach contributed to dramatic increases in Marketplace enrollment. In 2022, the first year that the enhanced subsidies were in place, an estimated 14.5 million Americans signed up for Marketplace coverage during the open enrollment period, a 20 percent increase over the previous year. The number of consumers with Marketplace coverage increased to 16.4 million in 2023 and to 21.4 million in 2024.⁶

A previous ASPE Issue Brief presented data showing that small business owners and self-employed workers accounted for roughly one-quarter of Marketplace enrollment in 2021.⁷ This Issue Brief updates that analysis with data through 2022.

Marketplace Enrollment Among Small Business Owners and Self-Employed Adults

Table 1 presents state-level data from the Department of the Treasury on Marketplace enrollment among small business owners and self-employed workers.⁸ Note that these categories are not mutually exclusive, so the figures in the third column of the table are less than the sum of the figures in the first two columns.

Nationally, roughly 3.3 million small business owners and self-employed workers had Marketplace coverage in 2022, representing 28 percent of total Marketplace enrollment among 21 to 64-year-olds. These figures are up from 2.6 million and 25 percent in 2021. As a point of comparison, self-employed workers represent roughly 10 percent of all workers between the ages of 21 and 64. The Department of the Treasury estimates that 82 percent of small business owners and self-employed workers claimed a premium tax credit in 2022.

In 2022, the share of Marketplace enrollment accounted for by small business owners and self-employed workers varied considerably across states, ranging from 20 percent in Rhode Island to 41 percent in Hawaii. Florida was the state with the greatest number of small business owners and self-employed workers with Marketplace coverage, with over 600,000 enrolled. This is an increase of roughly 30 percent relative to 2021. In both California and Texas, more than 400,000 small business owners and self-employed workers selected Marketplace plans in 2022.

As noted above, the number of people with Marketplace coverage grew from 16.4 million in 2023 to 21.4 million in 2024. According to the Department of the Treasury's estimates, if small business owners and self-employed account for the same share of enrollment in 2024 that they did in 2022, over 4 million small business owners and self-employed workers would have coverage.

Table 1: Number of Self-Employed Adults and Small Business Owners with Marketplace Coverage in 2022, Ages 21-64

State	Small Business Owners	Self-Employed	Either	Share of Marketplace Enrollees
Alaska	2,330	4,190	4,820	26%
Alabama	24,810	41,070	49,020	27%
Arkansas	8,480	15,780	18,490	25%
Arizona	21,250	34,730	41,550	26%
California	234,680	385,220	450,010	29%
Colorado	22,480	35,030	42,750	26%
Connecticut	15,550	23,930	28,340	30%
District of Columbia	2,670	3,260	4,120	31%
Delaware	3,040	5,250	6,200	25%
Florida	342,020	485,290	618,590	31%
Georgia	84,930	140,420	168,070	31%
Hawaii	4,420	6,980	8,060	41%
Iowa	8,620	16,480	18,740	28%
Idaho	6,260	11,830	13,880	25%
Illinois	41,790	62,330	76,920	27%
Indiana	16,310	27,240	32,650	24%
Kansas	12,190	20,140	23,870	26%
Kentucky	7,760	14,200	16,480	27%
Louisiana	13,260	22,650	26,780	31%
Massachusetts	26,500	42,650	50,130	21%
Maryland	20,500	31,630	38,240	25%
Maine	8,310	13,110	15,460	29%
Michigan	34,840	54,500	65,490	27%
Minnesota	12,620	22,300	25,730	25%
Missouri	28,740	47,320	56,070	28%
Mississippi	13,450	22,060	27,130	24%
Montana	5,520	11,020	12,500	28%
North Carolina	72,950	110,530	134,260	26%
North Dakota	3,240	6,760	7,550	34%
Nebraska	10,030	21,160	23,240	31%
New Hampshire	8,490	12,520	14,650	31%
New Jersey	38,050	61,080	72,890	27%
New Mexico	4,920	7,350	8,860	25%
Nevada	13,280	20,620	24,350	30%
New York	30,390	49,670	59,200	25%
Ohio	26,800	43,200	51,520	24%
Oklahoma	18,720	32,700	39,040	29%
Oregon	17,730	29,310	34,200	27%
Pennsylvania	47,220	74,930	88,700	27%
Rhode Island	3,350	5,280	6,230	20%

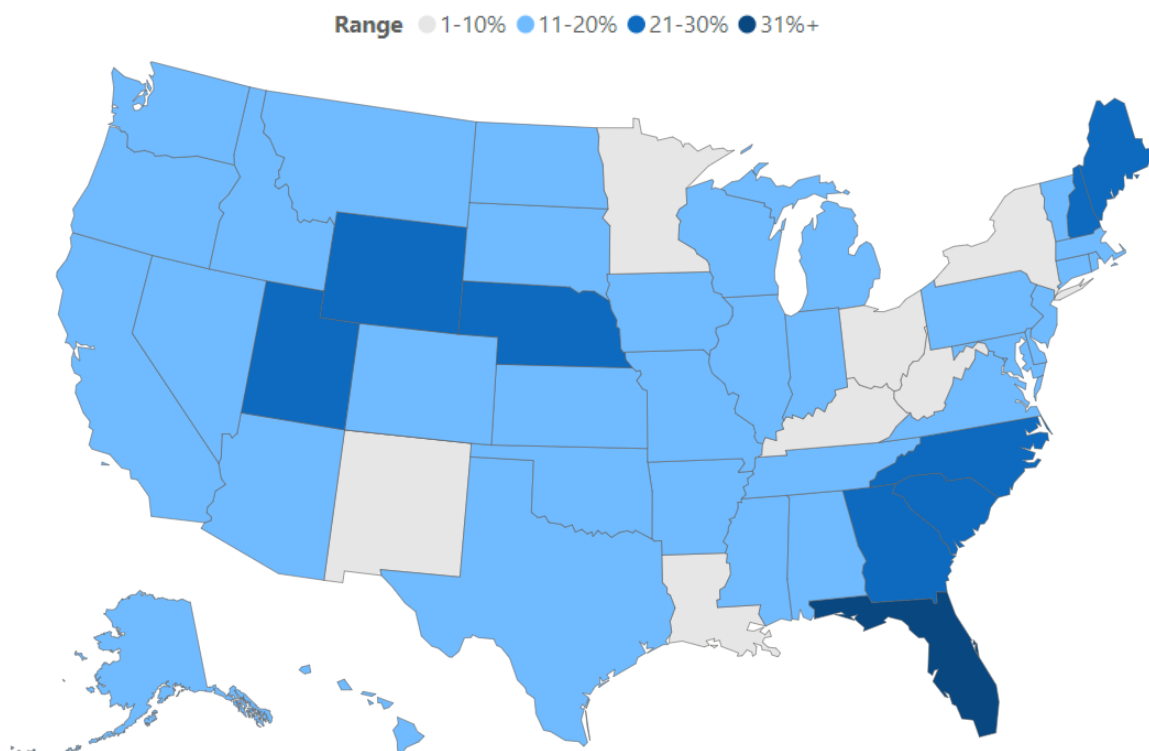
State	Small Business Owners	Self-Employed	Either	Share of Marketplace Enrollees
South Carolina	30,720	49,490	59,160	24%
South Dakota	4,620	8,500	9,770	29%
Tennessee	35,870	55,050	66,270	29%
Texas	215,690	352,430	423,790	31%
Utah	16,000	30,440	36,320	22%
Virginia	35,020	55,210	66,110	27%
Vermont	3,600	6,290	7,170	30%
Washington	27,970	44,270	53,130	26%
Wisconsin	23,260	39,200	45,790	23%
West Virginia	2,710	4,240	5,040	23%
Wyoming	3,290	5,970	7,120	25%
Other	730	530	1,100	24%
Total	1,717,980	2,727,340	3,285,550	28%

Source: Analysis of tax data from the U.S. Department of the Treasury.

Note: This analysis is based on a 10% random sample of all tax returns. Marketplace coverage is measured using data submitted to the IRS on Forms 1095-A for tax year 2022. Small business owners are defined based on information contained in Form 1040 Schedules C, E and F, Forms 1065, and 1120S. The definition follows OTA Technical Paper 4 with the exception that the income threshold is set to \$5 million. A taxpayer is defined as self-employed if they received at least 85% of their earnings from income reported on Schedule SE. Self-employment and small business ownership based on 2022 data.

The Department of the Treasury also estimates the percentage of taxpayers with Marketplace coverage. They estimate that 18 percent of small business owners and self-employed workers had Marketplace coverage in 2022. This compares to 6 percent of the rest of the population between the ages of 21 and 64. Figure 1 shows how the Marketplace coverage rate among small business owners and self-employed workers varies across states. The rate ranges from 5 percent in New York to 36 percent in Florida. The rate is 20 percent or more in 11 states.

Figure 1: Share of Small Business Owners and Self-Employed Workers, Ages 21-64, with Marketplace Coverage in 2022



Source: Analysis of tax data from the U.S. Department of the Treasury.

Note: This analysis is based on a 10% random sample of all tax returns. Marketplace coverage is measured using data submitted to the IRS on Forms 1095-A for tax year 2022. Small business owners are defined based on information contained in Form 1040 Schedules C, E and F, Forms 1065, and 1120S. The definition follows OTA Technical Paper 4 with the exception that the income threshold is set to \$5 million. A taxpayer is defined as self-employed if they received at least 85% of their earnings from income reported on Schedule SE. Self-employment and small business ownership based on 2022 data.

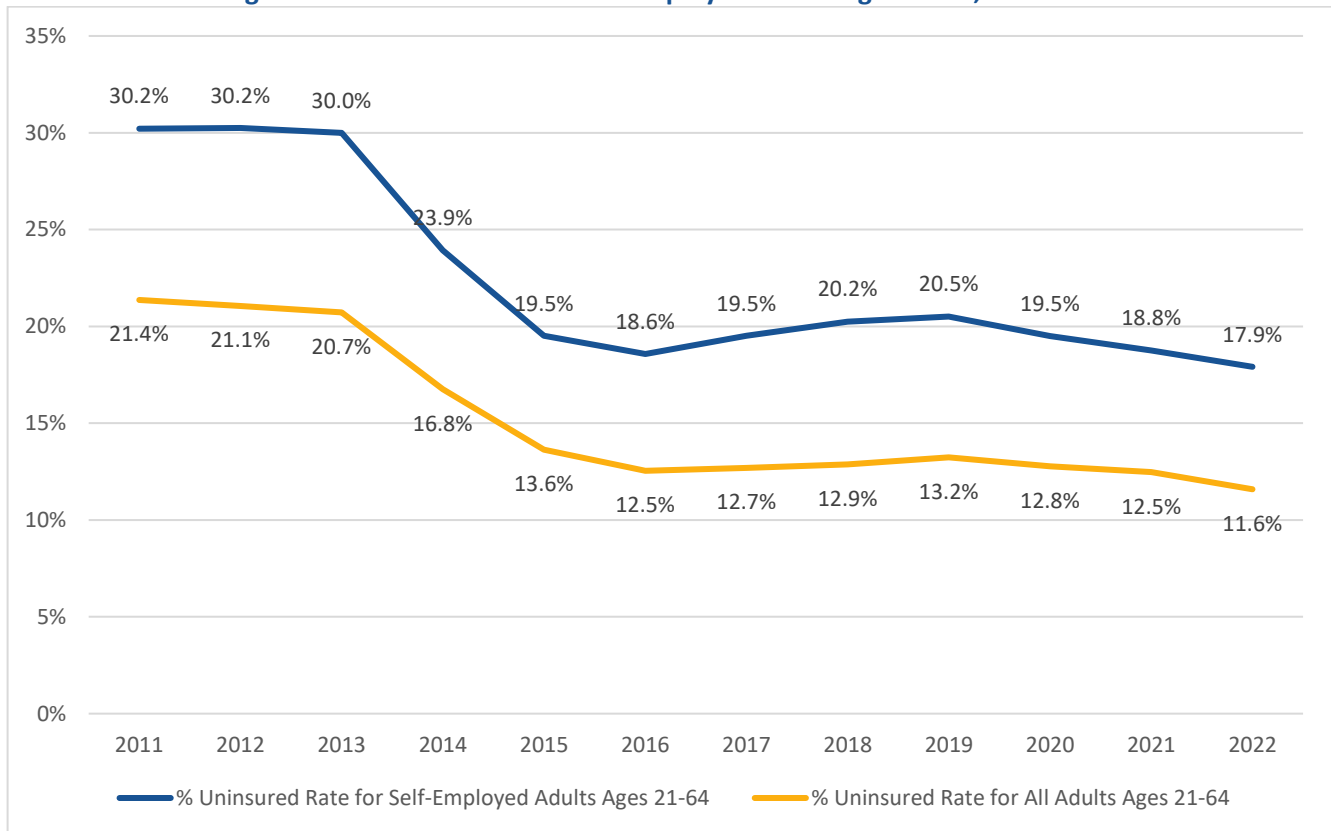
Trends in the Uninsured Rate for Self-Employed Adults

Figure 2 presents data from the U.S. Census Bureau’s American Community Survey (ACS) for the years 2011 to 2022 on the uninsured rate for self-employed workers ages 21 to 64 compared to all adults in this age range. In 2011, the uninsured rate for self-employed workers was roughly 9 percentage points higher than the rate for all adults: 30.2 vs. 21.4 percent. As documented in previous research, the ACS data indicate that the ACA led to a significant decline in the uninsured rate among self-employed adults after 2014.^{5,9} By 2016, the rate was down to 18.6 percent. While self-employed workers were still more likely to be uninsured than other adults, the gap was smaller than it was before the main coverage provisions of the ACA went into effect.

Between 2016 and 2019, the uninsured rate for self-employed workers increased by nearly two percentage points, to 20.5 percent. This coincided with a decrease in Federal funding for Marketplace outreach and a decline in Marketplace enrollment.⁶ The uninsured rate for all adults ages 21-64 increased by less than one percentage point during this period, from 12.5 to 13.2 percent. The uninsured rate for self-employed workers began falling again after 2019 and by 2022 was down to 17.9 percent. Although self-employed workers were still more likely to be uninsured than other adults, the gap (6.3 percentage points) was considerably smaller than it was prior to the ACA.

Based on the 2022 ACS, we estimate that there were 16.3 million self-employed workers between the ages of 21 and 64, of whom 2.9 million were uninsured. If the uninsured rate were still at the pre-ACA level (30 percent), 2 million more self-employed workers would be uninsured.

Figure 2. Uninsured Rate for Self-Employed Adults Ages 21-64, 2011-2022



Source: ASPE analysis of the American Community Survey (ACS) data, 2011-2022.

Notes: Self-employed includes those who described their employment as self-employed in either their own incorporated business or their own not incorporated business. It does not include those who described their employment as working without pay in family business or farm. The U.S. Census Bureau discourages comparisons of 2020 ACS data to other years, given issues with non-response bias created by the COVID-19 pandemic.

Conclusion

The health insurance Marketplaces established by the ACA provide small business owners and self-employed workers access to quality, affordable health care coverage that many did not previously have. After the Marketplaces were established in 2014, the uninsured rate among self-employed workers decreased substantially, reducing the coverage gap relative to wage and salary workers. The enhanced premium tax credits introduced by the ARP and later extended by the IRA have made Marketplace coverage even more affordable, leading to large increases in enrollment in recent years and further reductions in the uninsured rate for self-employed workers. Estimates based on tax data indicate that over 3 million small business owners and self-employed workers obtained health insurance through the Marketplaces in 2022.

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