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**PRI Releases Report on the Prospective Effects of the ACA on Entrepreneurship**

*A Preliminary View of State Experience*

December 1, 2015, The Pacific Research Institute, a non-profit, non-partisan, think tank based in San Francisco, today released the report “Prospective Effects of the Affordable Care Act on Entrepreneurship: A Preliminary View of State Experience,” by PRI Senior Fellow Benjamin Zycher, Ph.D.

“Many claims have been made about the prospective effects of the ACA before and after its enactment,” said Dr. Zycher. “These assertions were sometimes based on analytic findings and sometimes little more than political calculations. Some of the positive claims from the ACA on entrepreneurship include:

* Aspiring entrepreneurs, guaranteed access to health coverage under the ACA, are encouraged to create startup businesses, due to the reduced (or low) risk of losing health insurance.
* The Small Business Health Options Program (SHOP), part of the ACA, induces entrepreneurship by offering tax credits for small/startup businesses offering health coverage to their employees.

Some of the negative claims include:

* Aspiring entrepreneurs are deterred from the creation of startup businesses because of the (sometimes subsidized) costs of coverage under the ACA, due in part to the extensive (and expensive) list of coverage benefits.
* Aspiring entrepreneurs are deterred from the creation of startup businesses, or from some hiring, due to such ACA provisions as the 50-employee and 30-hour thresholds for employer mandates and penalties for “full-time” employee designations.
* Older (perhaps middle age) workers choose earlier retirement rather than entrepreneurship because of guaranteed coverage through a state or federal health care exchange under the ACA.
* The SHOP program hinders entrepreneurial activity by denying eligibility to self-employed individuals with no employees, and by requiring that at least 70-percent of the full-time employees enroll in the SHOP plan.

Because the ACA has not been implemented fully – and because ensuing adjustments to it in the private sector will take years – the effect on startup activity cannot be measured directly or fully. But three states: Massachusetts, New Jersey, and Tennessee – have implemented health coverage reforms similar in greater or lesser degrees to the ACA, and an examination of startup activity in those states over time provides some insights that can inform this question. The analysis tentatively confirms that health coverage programs more-or-less similar to that of the ACA have not yielded effects on entrepreneurship, whether positive or negative.

Dr. Zycher concludes: “Then-Speaker of the House of Representatives Nancy Pelosi was correct in her argument that the ACA had to be passed in order to ‘find out what’s in it,’ that is, to discover its actual effects in terms of entrepreneurship and a number of other parameters.“

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“Prospective Effects of the Affordable Care Act on Entrepreneurship: A Preliminary View of State Experience” by Benjamin Zycher, Ph.D. is available at www.pacificresearch.org. To arrange an interview with Dr. Zycher, contact PRI’s press office at 415-955-6110 or email Laura Dannerbeck at ldannerbeck@pacificresearch.org or Rowena Itchon at ritchon@pacificresearch.org.