

Obamacare could help fuel a tech start-up boom

Guaranteed health coverage may encourage people to launch their own business or work solo

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WASHINGTON -- The arrival of Obamacare may make it easier for some employees to quit their full-time jobs to launch tech start-ups, work as a freelance consultant or pursue some other solo career path.

The insurance that's available for sign-up beginning Tuesday on the state health exchanges doesn't exclude people with pre-existing conditions or penalize them with high rates.

The U.S. Department of Health and Human Services estimates that anywhere from 19% to 50% of non-elderly Americans have some type of pre-existing condition. For older American, between 55 and 64 years of age, that figure may be as high as 86%.

Moreover, should you get sick, under the Affordable Care Act, or Obamacare, you won't face possible loss of your health insurance or a rate spike.

"A relatively short stay in a hospital can bankrupt someone," said Bruce Bachenheimer, a professor of management at Pace University and director of its Entrepreneurship Lab. He said that, anecdotally, he's seen many people who will take a job they don't even care about just to get health coverage. "It's become such an important factor," he said.

The average age of people who create a tech start-up is 39, and not 20-something," said Bachenheimer, despite the famous examples created by people such as Steve Jobs and Bill Gates. On top of that, there are twice as many tech start-up founders who are over the age of 50 as those who are younger than 25, he said.

Entrepreneurs are willing to take on risks, but health care is not a manageable risk, said Bachenheimer.

"There is a big difference between mortgaging your house on something you can control, and risking going bankrupt by an illness because of something you can't control," said Bachenheimer. No one can predict a car accident or a serious illness, he said.

"Entrepreneurs actually don't see starting a business as risky as many people think, because they are so confident in their abilities and their idea," said Bachenheimer. "But they would see going around without health insurance as a risk."

Donna Harris, the co-founder of the 1776 incubation platform in Washington, believes the healthcare law will encourage more start-ups.

"You have to know that there are millions of Americans who might be fantastic and highly successful entrepreneurs who are not pursuing that path because of how healthcare is structured," said Harris. The healthcare law "will at least provide these people the option to get into the entrepreneurship game," she said.

But the flip side question is this: Should employers be worried that key employees might quit to seek opportunity on their own?

Andrew Bartels, an analyst at Forrester, doesn't see much employee retention risk as a result of the new law, and says health insurance is just one of many considerations employees take into account. Other benefits, including 401K plans, interesting projects, the comradeship of co-workers and a steady paycheck are often seen as plusses, he said.

Bartels says an IT department with 100 employees might be at risk of losing one or two thanks to the health care law, but even that estimate might be too high.

While Obamacare may lead to an increase in start-ups, there's another side to the coin. Once a start-up nears 50 full-time employees -- the threshold for taking on insurance coverage responsibilities under the law -- it might prompt the company to shift people to part-time work and rely more on outsourced contractors, said Bachenheimer.

HourlyNerd, a company that makes MBA students and graduates at the top 20 schools available for contract work, expects the law to increase demand for its services, said co-founder Peter Maglathlin.

Maglathlin said there is already a lot of economic uncertainty, which is deterring hiring. Adding the requirements of Obamacare into the mix, "makes it even harder to rationalize hiring someone full-time," he said.

Shawn Jenkins, founder and CEO of Benefitfocus, a company that provides cloud-based health benefits systems to employers and recently went public, said Obamacare could allow workers to be mobile.

"I think it could absolutely free people up to do their own thing," said Jenkins.

http://www.computerworld.com/s/article/9242833/Obamacare_could_help_fuel_a_tech_start_up_boom