WorkingTogether
for a Healthy Texas

Houston Small Employer Focus Group Summary Report

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Texas Department of Insurance
State Planning Grant Project

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Section I: Background Information

Since 2001, the Texas Department of Insurance (TDI) has conducted extensive research of the issues affecting Texans who have no health insurance as part of the federal State Planning Grant (SPG) program funded by the Health Resources and Services Administration (HRSA). Under the grant program, TDI collected qualitative and quantitative data through a variety of survey and research activities and used this data to develop options for expanding health insurance to the uninsured. TDI then received a supplemental grant from HRSA in 2003 to continue the evaluation and development of several expansion options considered under the original grant that needed additional research. The supplemental grant also allowed TDI to evaluate several options that were implemented after the original grant to determine whether or not they have been effective in reducing the uninsured rate in Texas.

The research under the grant program provided a wealth of information and data indicating, in part, that small employers with 2-50 employees face considerable administrative and educational hurdles in evaluating their insurance options and finding quality, affordable insurance coverage. Among TDI's key findings were:

- The primary reason small employers do not offer insurance is because it is unaffordable; 62 percent of uninsured small employers reported they can afford $150 or less per month for employee health insurance premiums, 34 percent can pay $50 or less, and 14 percent would not purchase insurance at any cost.
- Approximately three-fourths of uninsured individuals in Texas either work for a small business or are a spouse or dependent of a small business employee.
- Approximately 80 percent of employers believe they *should* provide insurance if they can afford to do so.
- Of those employers who currently offer insurance, 18 percent are very likely to discontinue coverage within the next five years and 24 percent report they are somewhat likely to do so.
- Approximately 70 percent of employers said it is more important for government to focus on improving access to affordable health insurance than improving access to affordable health care.
- When small employers do offer coverage, employees often are unable to afford their required contribution. This is particularly true of family coverage since the average cost for small businesses is more than $11,000 a year per employee. Many workers are required to pay 50 percent or more of this cost.
- Approximately three-fourths of insured small employers have experienced rate increases of 25 percent or more over the past three years.

Using this and other relevant data, TDI concluded that a simplified, low-cost health insurance alternative was needed to significantly improve the availability and affordability of health coverage for small employers in Texas. When given the opportunity in 2005, TDI applied for and received a second supplemental grant from HRSA to develop a "pilot project" small employer health insurance plan that would meet these criteria. Sufficient funds were not yet available to develop a statewide program, so

TDI elected to first target the Harris County/Houston metroplex area with this new plan. Houston was selected because it has both a high uninsured population and a high concentration of uninsured small employers, and it is also one of the most expensive areas of the state in which to access healthcare. Once implemented, the plan will provide a new alternative for approximately 1.3 million Houston workers and their families.

Two prototype low-cost small employer health insurance plans were developed by TDI staff with the guidance of a leading actuarial firm, Milliman, and several participating stakeholders, including the Greater Houston Partnership, insurance company representatives, health care providers, and employer and employee representatives. Actuarial experience data and information collected and analyzed under the grant were used to identify services most commonly utilized by the uninsured in the Houston area, and the benefit plans were tailored to satisfy those needs. After the prototype benefit plans were developed, TDI held 25 focus group sessions with Houston-area small employers to evaluate the benefit plans and their appropriateness. During these sessions, TDI employees provided an overview of the two benefit plans and asked the participants to discuss what they liked about the plans, what they disliked, and how they would modify the plans to make them more appealing. Also, TDI asked participants to complete a written survey in which they provided demographic information, described the plan types they would prefer, rated the importance of certain benefits, and rated the adequacy of several prescription drug plans.

Using information from the focus group participants, TDI has worked with Milliman actuarial consultants to adjust the prototype plans to more accurately reflect the preferences expressed by small business owners. A marketing campaign will be designed specifically to promote this unique product, which may be offered in early 2007 through a sole provider contract negotiated with an insurance carrier. Following is a description of the original prototype plans presented at the focus groups, an analysis of the focus group findings, and a summary of how the plans were amended based on recommendations of employers and employees.

Section II: Original Prototype Benefit Plans

Working with Milliman actuarial consultants and the Houston State Planning Grant Small Employer Benefit Plan Working Group, TDI developed two prototype benefit plans that were presented at the July 2006 focus groups. Both plans are priced using a "modified community rating" system, which determines premiums based solely on the age and gender of each company's employees. Other rating factors currently used to underwrite small employer insurance plans (including health status, group size, and type of business) do not apply to this prototype proposal. Using only age and gender, older employees generally will pay relatively higher premiums while younger employees pay relatively lower premiums under the modified community rating system.

The proposed plans will create a large pool of Harris county small employers, distributing the risk among thousands of covered lives. The target premium for each plan was an average of $150 per employee per month, as previous research indicated that nearly three-fourths of uninsured small business owners interested in purchasing health insurance are able to pay no more than this amount for employee-only health coverage. The first plan, "Plan A," provides broader coverage for more costly injuries and illnesses and less "first dollar" coverage for routine expenses. The plan is frequently described as a "catastrophic coverage" benefit plan and has an average annual premium of approximately $148 for adults and $68 for children. "Plan B" focuses more on routine medical expenses and preventive care and limits coverage of costly illnesses and injuries, and has an average annual premium of approximately $117 for adults and $55 for children.

The characteristics of the two plans vary considerably and limit covered services using different approaches. Plan A has a $1,000 annual deductible, a 70/30 coinsurance requirement, and an $11,000 annual out-of-pocket maximum (including the deductible). It also includes a maximum annual benefit of $100,000 per covered individual, but it is not restrictive in terms of the number of inpatient or outpatient hospital days, outpatient surgeries, radiological/pathological procedures, physician office visits, or emergency room visits allowed in a given year. The first two doctor visits under this plan would be available for a $25 co-payment rather than being subject to the deductible and coinsurance requirements, and the first two office visits for psychiatric care or substance abuse would require a $40 co-payment rather than being subject to the deductible and coinsurance. The prescription drug plan includes a separate $500 deductible, and then the same 70/30 coinsurance requirement applies.

Plan A also has a variety of additional covered services, including ambulance transportation, private duty nursing, home health care, durable medical equipment and prosthetics. It does not provide coverage for vision exams or glasses/contacts, but it does offer two annual preventive dentist visits that are covered at 100 percent after a $25 co-payment. These dental visits cover an oral exam, prophylaxis, fluoride treatment, x-rays, and lab and other needed tests, and the plans may provide discounts on common dental procedures such as fillings, crowns and root canals.

Plan B includes a $250 annual deductible, an 80/20 coinsurance requirement, and a $1,250 annual out-of-pocket maximum (including the deductible). The plan does not have a maximum annual dollar limit, but it does restrict services in other ways. The plan provides only five days of inpatient hospital care, two outpatient surgeries, two radiological/pathological procedures, two emergency room visits, and six physician office visits annually. If these limits are exceeded, the insured would be responsible for 100 percent of the cost of care. It is anticipated that even with these restrictions, Plan B would provide more than enough coverage for the average individual in any given year. Statistics show that the average adult visits the doctor twice a year. Statistics also show that only seven percent of the population will be hospitalized in any given year, with an average length-of-stay of less than 5 days.

Plan B also covers up to $500 in prescription drugs annually, and while it has no prescription drug deductible, it requires co-payments of $10 for generic drugs, $20 for formulary brand-name drugs, and $30 for non-formulary brand-name drugs. It does not include coverage for glasses or contacts, but it does include one vision exam and the same dental benefits that were included in Plan A. Finally, Plan B does not offer inpatient psychiatric abuse coverage, ambulance transportation, private duty nursing, home health care, or coverage of durable medical equipment or prosthetics.

The following table provides a side-by-side comparison of the covered benefits under the original prototype Plan A and Plan B.

	Plan A Original Prototype: Catastrophic Care Plan	**Plan B Original Prototype: Basic Benefit and Preventive Care Plan**
Plan Basics		
Approximate Monthly Premium Cost Per Adult	$148	$117
Approximate Monthly Premium Cost Per Child	$68	$55
Annual Deductible	$1,000	$250
Coinsurance	30%	20%
Out-of-pocket Maximum (Including deductible)	$11,000	$1,250
Annual Maximum Benefit	$100,000	No specified dollar limit
Hospital Benefits		
Inpatient Hospital Stay	Covered	Five days covered annually
Outpatient Hospital Surgery	Covered	Two visits covered annually
Hospital Outpatient Radiology, Pathology, and Diagnostic Tests	Covered	Two surgeries covered annually
Emergency Room Visits	Covered	Two visits covered annually

	Plan A Original Prototype: Catastrophic Care Plan	Plan B Original Prototype: Basic Benefit and Preventive Care Plan
Physician Benefits		
Inpatient Hospital Care	Covered	Five days covered annually
Outpatient Hospital Care	Covered	Two visits covered annually
Doctor Office Visits and Preventive Care	The first two visits have a $25 co-pay; all other visits are subject to the deductible and coinsurance requirement	Six visits covered annually
Doctor Office Visits for Substance Abuse and Psychiatric Care	The first two visits have a $40 co-pay; all other visits are subject to the deductible and coinsurance requirement	Not covered
Radiology and Pathology	Covered	Two visits covered annually
Prescription Drug Benefits		
Deductible	$500	None
Coinsurance	30%	None
Co-payments	None	$10 for generic drugs, $20 for formulary brand name drugs, and $30 for non-formulary brand name drugs
Annual Maximum Benefit	None	$500
Additional Covered Services		
Ambulance	Covered	Not Covered
Private Duty Nursing	Covered	Not Covered
Home Health Care	Covered	Not Covered
Durable Medical Equipment	Covered	Not Covered
Prosthetics	Covered	Not Covered
Maternity Care	Covered	Covered
Psychiatric Care	Covered	Not Covered
Substance Abuse Treatment	Covered	Not Covered
Vision Exam	Not Covered	Covered
Glasses or Contacts	Not Covered	Not Covered
Dental Coverage	Two annual preventive visits are covered at 100% after $25 co-pay	Two annual preventive visits are covered at 100% after $25 co-pay
Chiropractic Care	Not Covered	Not Covered
Podiatrist	Not Covered	Not Covered

Section III: Focus Group Participant Survey Feedback

To ensure the product designed for the program provided benefits that both employers and employees would find appealing, and to identify what changes should be made to improve the prototypes, TDI invited small business owners and their staff to participate in focus groups held throughout Harris County. A total of 40 uninsured small employers volunteered to participate, and appointments were scheduled individually with the first 30 of those respondents. TDI allowed companies to specify the dates and times they would be available and offered to meet company representatives either at their place of business or at a location provided by TDI.

A total of 25 focus groups were successfully completed in July (five employers cancelled their appointments), representing a broad cross section of businesses with a diverse group of employees. According to employer survey responses used to collect demographic data, the companies ranged in size from two to 26 employees. Average annual employee salaries varied widely from $20,000 to $110,000. As a group, the companies each averaged 5.5 full-time workers and one part-time worker, with an aggregate average annual salary of about $40,000 per employee. The following table describes the primary type of industry of each participating business. Please note that four companies did not complete the employer survey.

Business Type	Number of Participants
Computer/Information Technology Services	3
Construction	2
Advertising/Marketing	2
Financial Services	2
Manufacturing	2
A/C Refrigeration Services	1
Auto Insurance Agency	1
Certified Public Accountant	1
Consulting	1
Corporate Communications	1
Fine Arts and Supplies	1
Fire Construction and Restoration	1
Landscaping Supplies	1
Janitorial Services	1
Medical Services	1
Real Estate Management	1
Specialized Technology	1
Wholesale/Retail Trade	1
Transporting	1
TOTAL	**25**

The employer survey included a variety of questions about health insurance coverage as it relates to themselves and their employees. Over three-fourths of the employers indicated that they personally had health insurance coverage, while they estimated that approximately 40 percent of their total workforce was insured. About one-half of the employers indicated that they had unsuccessfully attempted to purchase insurance coverage for their employees within the past year, and they most commonly cited cost as the primary barrier to coverage. Seventy-six percent of participating employers felt that a lack of insurance coverage is affecting their ability to attract and/or retain qualified employees, while one-third indicated that employees had actually left the company because insurance was not an offered benefit. Nearly 40 percent of employers also stated that they have personally observed health problems among their employees that were likely untreated because of a lack of health coverage.

In the current small employer health insurance market, carriers in Texas usually require 75 percent of eligible employees to participate in the health plan before coverage will be issued. Eligible employees are defined as permanent full-time employees who do not already have health coverage through other means, such as a spouse's plan or a parent's plan. Approximately 45 percent of participating small employers indicated that they believed they would have difficulty reaching this 75 percent participation requirement.

Focus group participants substantiated earlier SPG research indicating that the vast majority of employers (80.9 percent) can afford to contribute no more than $150 per employee per month. In fact, almost sixty percent of participants indicated that they could pay only $100 per employee per month or less. The following table provides a detailed breakdown of the maximum employer contribution levels indicated by focus group participants.

Maximum Monthly Contribution	Percent of Responses
$50	23.8%
$75	14.3%
$100	19.0%
$125	4.8%
$150	19.0%
$175	9.5%
$200+	9.6%

Employers were also asked to identify all of the methods by which their uninsured employees access care when it is needed. Three-fourths of the participating employers indicated that some employees go to a physician and pay their own medical expenses. Almost 50 percent indicated that some employees go to free or low-income clinics, while 38 percent indicated that some employees use local emergency rooms. Cross-border health care was much less prevalent, as only 14 percent of employers indicated that some employees purchase prescription drugs in Mexico, and ten percent indicated that some employees seek medical care.

The focus group sessions were originally intended to be a forum in which employers and employees could discuss the proposed benefit plans together and provide input on them. The employee attendance at the focus groups was unfortunately very low, as only 12 employees were able to attend and complete an employee survey. Of those who were able to attend, the average age was 35.6 years, the average monthly take-home income was $4,470 per family, and two-thirds were currently insured. The following table provides a more detailed demographic summary of the participating employees.

Demographic Feature	Response
Average age	35.6 years
Percent male	50.0%
Percent female	50.0%
Average number of children in family	0.5
Percent full-time workers	100.0%
Percent attending school	17%
Average monthly family take-home income	$4,470
Percent currently insured	66.7%
Average annual doctor visits	2.33
Percent using emergency room in past two years because they were uninsured and had nowhere else to go for treatment	0.0%
Percent in support of allowing uninsured parents to purchase child-only coverage	58.3%

Participating employees were also asked to indicate how much they were able to contribute to the cost of insurance each month and how much they felt would be a reasonable amount for the employer to contribute toward their coverage. Nearly two-thirds of employees felt that their employer should contribute $100-199 per month, while about one-fourth felt that their employer should contribute less than $100. Their opinions on employee contribution requirements were surprisingly high; while the most common response was in the $100-199 range, about 55 percent reported that they are able to contribute $300 or more for coverage. Only 18 percent felt that an employee contribution of $100 or less was appropriate. The following table provides a more detailed breakdown of these responses.

Contribution Level	Employer Contribution	Employee Contribution
$0-99	27.3%	18.2%
$100-199	63.6%	27.3%
$200-299	9.1%	0.0%
$300-399	0.0%	18.2%
$400-499	0.0%	18.2%
$500-599	0.0%	18.2%

On both the employer and employee surveys, respondents were also asked to rate the importance of selected benefit options on a scale of one to five, with a rating of one representing benefits that are "not at all important" and a rating of five representing benefits that are "extremely important." This exercise was designed to give employers and employees the opportunity to specify which benefits they value the most, therefore allowing TDI to more effectively create a plan that best meets their needs. Respondents were asked to rate the following 12 benefits: dental coverage, vision coverage, maternity coverage, mental health treatment, doctor office visits when sick only, doctor office visits when sick and for annual well-person check-ups, visits to specialist physicians, in-patient hospital care, diagnostic tests such as lab work or x-rays, well-child care, preventive screenings such as mammograms or prostate cancer tests, and prescription drugs. The results were tallied and weighted on a scale with a maximum value of 100.

Employers most valued doctor office visits when sick and for annual well-person check-ups (with an overall score of 96), followed by in-patient hospital care (89), prescription drugs (85), preventive screenings (83) and well-child care (81). The least valued benefits for employers were dental coverage (58), vision coverage (55), maternity coverage (55), and mental health treatment (34).

Employees most valued in-patient hospital care (97), diagnostic tests (88), doctor office visits when sick and for annual well-person check-ups (87), preventive screenings (83), and visits to specialist physicians (83). Least-valued benefits included doctor office visits when sick only (63), dental coverage (60), vision coverage (48), and mental health treatment (38). A comprehensive analysis of both the employers' ratings and the employees' ratings can be found on pages 11-12.

Similarly, employers and employees were asked to rate the adequacy of 12 prescription drug plans on a scale of one to five, with a rating of one representing "not acceptable coverage" and a rating of five representing "more than enough coverage." Respondents were instructed to rate the plans based on what they felt was a reasonable amount of coverage for their personal needs. The proposed prescription plans included the following: four, six, ten and twelve prescriptions per year; one, two, and four prescriptions per month; and up to $500, $1,000, $2,000, $2,500 and $5,000 in coverage per year. The results were once again tallied and weighted on a scale with a maximum value of 100. On this scale, a value of 80 represents "very adequate" prescription drug coverage, which can be interpreted as being neither too much coverage nor too little coverage.

Employers reported that the most adequate prescription plan would cover four prescriptions per month (with a score of 81), while up to $5,000 per year would provide slightly more than enough coverage (87), and $2,500 per year would provide slightly less than enough coverage (74). Coverages ranked as not adequate included $500 in coverage per year (40), one prescription per month (38), six prescriptions per year (36), and four prescriptions per year (27).

Employees felt that coverage up to $2,500 per year would be most adequate (80), with four prescriptions per month (87) and up to $5,000 in coverage per year (93) providing slightly more than enough coverage. Employees felt that six prescriptions per year (56), $500 in coverage per year (49), one prescription per month (47), and four prescriptions per year (42) would be the least adequate. A comprehensive analysis of the prescription drug plan ratings for both the employers and employees can be found on pages 13-14.

Benefit	Importance of Benefit Options – Counts of Employer Responses					Overall Rating (100 Max.)
	Benefit is Not At All Important	Benefit is Not Very Important	Benefit is Somewhat Important	Benefit is Very Important	Benefit is Extremely Important	
Doctor Office visits when sick and for annual well-person check ups	0	0	0	4	15	96
In-patient hospital care (for surgery, emergencies, illnesses, etc.)	0	0	1	8	10	89
Prescription Drugs	0	2	1	6	10	85
Preventive screenings, such as mammograms or prostate cancer testing	1	0	4	4	10	83
Well-child care, including immunizations and routine check ups	1	2	2	4	10	81
Visits to a specialist physician such as a cardiologist or dermatologist	1	1	3	8	6	78
Doctor Office visits but only when sick	1	1	3	7	6	74
Diagnostic tests, such as blood work, x-rays or MRIs	0	2	5	7	4	71
Dental	3	2	10	2	2	58
Maternity coverage	2	4	7	4	1	55
Vision (eye exams and glasses)	3	5	8	0	3	55
Mental health treatment	6	8	2	1	0	34

Benefit	Importance of Benefit Options – Counts of Employee Responses					Overall Rating (100 Max.)
	Benefit is Not At All Important	Benefit is Not Very Important	Benefit is Somewhat Important	Benefit is Very Important	Benefit is Extremely Important	
In-patient hospital care (for surgery, emergencies, illnesses, etc.)	0	0	1	0	11	97
Diagnostic tests, such as blood work, x-rays or MRIs	0	0	1	5	6	88
Doctor Office visits when sick and for annual well-person check ups	0	0	2	4	6	87
Preventive screenings, such as mammograms or prostate cancer testing	0	0	4	2	6	83
Visits to a specialist physician such as a cardiologist or dermatologist	0	0	3	4	5	83
Prescription Drugs	0	2	1	7	2	75
Maternity coverage	3	0	1	1	7	75
Well-child care, including immunizations and routine check ups	3	0	2	1	6	72
Doctor Office visits but only when sick	1	2	5	2	2	63
Dental	3	0	4	4	1	60
Vision (eye exams and glasses)	3	3	4	2	0	48
Mental health treatment	7	1	2	2	0	38

	Adequacy of Prescription Drug Coverage – Counts of Employer Responses					Overall Rating (100 Max.)
	Not Acceptable Coverage	Not Very Adequate Coverage	Somewhat Adequate Coverage	Very Adequate Coverage	More than Enough Coverage	
Up to $5,000 coverage per year	2	0	0	4	12	87
Four prescriptions per month	1	1	1	8	7	81
Up to $2,500 coverage per year	1	0	5	4	7	74
Up to $2,000 coverage per year	2	3	4	4	4	62
Twelve prescriptions per year	1	1	6	6	2	61
Two prescriptions per month	4	3	5	4	2	57
Up to $1,000 coverage per year	3	5	6	3	1	53
Ten prescriptions per year	3	1	7	5	0	51
Up to $500 coverage per year	8	3	3	2	1	40
One prescription per month	7	7	1	0	2	38
Six prescriptions per year	6	5	4	1	0	36
Four prescriptions per year	11	4	0	0	1	27

	Adequacy of Prescription Drug Coverage – Counts of Employee Responses					Overall Rating (100 Max.)
	Not Acceptable Coverage	Not Very Adequate Coverage	Somewhat Adequate Coverage	Very Adequate Coverage	More than Enough Coverage	
Up to $5,000 coverage per year	0	1	0	1	9	93
Four prescriptions per month	0	0	2	3	6	87
Up to $2,500 coverage per year	1	0	1	5	4	80
Up to $2,000 coverage per year	1	0	2	5	3	76
Twelve prescriptions per year	2	0	2	2	5	75
Two prescriptions per month	0	2	2	5	2	73
Ten prescriptions per year	2	2	1	3	3	65
Up to $1,000 coverage per year	2	1	4	3	1	60
Six prescriptions per year	2	2	4	2	1	56
Up to $500 coverage per year	3	2	5	0	1	49
One prescription per month	4	2	3	1	1	47
Four prescriptions per year	5	3	1	1	1	42

Section IV: Focus Group Participant Verbal Feedback

In addition to completing the written surveys, focus group participants were given the opportunity to provide verbal feedback on the prototype benefit plans and make suggestions on how they should be modified and improved. Specifically, TDI wanted to determine what was most appealing about the plans, what was least appealing, and how the plans could be changed to make them more desirable. Also, TDI asked the attending employers and employees to indicate if they would be interested in purchasing either of the plans if they were available.

Employer interest was overwhelmingly positive overall, as 22 of the 25 focus group participants indicated that they would be interested in purchasing at least one of the prototype plans. Eleven employers indicated that either of the prototype plans would be attractive, while four expressed interest only in Plan A and seven expressed interest only in Plan B. The final three employers indicated that they would not be interested in either of the plans; in those cases, the employers either wanted a more comprehensive benefit plan or a truly catastrophic plan with a higher deductible and a higher annual maximum benefit limit. Participants were generally most attracted to the plan premiums and the simplified enrollment process. Compared to the existing small employer market, the prototype plans significantly reduce the employer's administrative burdens through the use of a modified community rating approach that does not require lengthy employee/dependent applications, medical histories or medical record reviews.

Several interesting dichotomies existed among participants regarding which of the two benefit plans would be more attractive. Employers generally expressed significantly more interest in Plan A for themselves and in Plan B for most of their employees. The employers had often accumulated a more significant amount of personal assets, and their primary concern was generally protecting those assets in the event of a catastrophic injury or illness. This was also the case with experienced professionals and other white-collar workers on staff; they felt that they had sufficient funds to cover routine medical expenses, but they expressed concern over the large, unexpected catastrophic events that could occur. Lower-wage and blue-collar workers generally showed more interest in first-dollar medical expense coverage and preventive care coverage that Plan B provides. This was especially the case for employees with young children who make more frequent doctor visits for routine care or preventive care such as immunizations. These employees would most likely only agree to contribute to an insurance plan if they knew it would offer benefits that they would regularly utilize and need. Several participants also indicated that Plan A may be more attractive to people with known health conditions who anticipate higher health care costs, while Plan B would appeal more to healthy individuals who rarely visit the doctor and require very few prescription drugs.

Several characteristics of Plan A were also commonly cited as being especially appealing to participating employers and employees. The catastrophic nature of Plan A was especially attractive to about one-half of participants, as these individuals primarily desired security and peace of mind in the event of a serious accident or illness. Numerous participants also voiced approval for the co-payment system in place for the

initial physician visits and psychiatric/substance abuse visits. Since the first two visits of each kind are not subject to the deductible and coinsurance requirements, participants felt that this would encourage plan enrollees to seek medical treatment sooner and more regularly when needed. Also, numerous participants cited the comprehensiveness of Plan A as being especially attractive, as it covers physician visits, hospital care, mental health/substance abuse treatment, ambulance service, durable medical equipment, prosthetics, private duty nursing, maternity, dental and home health care. Finally, participants commonly cited the lack of a specific annual maximum benefit limit on prescription drugs as being particularly appealing. This was especially the case among participants who are currently taking maintenance drugs for one or more chronic health conditions.

Employers and employees also offered several common criticisms of Plan A, which are summarized as follows:

- Participants at 13 focus groups expressed concern about the annual maximum benefit of $100,000 being too low to cover truly catastrophic illnesses or injuries. For example, they argued that medical expenses could quickly exceed this threshold if a person was involved in a serious car accident, contracted cancer or another serious disease, or required a lengthy hospital stay. Most felt that an annual maximum benefit of $250,000 to $500,000 would be much more desirable, and while they acknowledged that these additional benefits would rarely be used, they would allow for considerably more peace of mind.
- Participants at eight companies expressed concern that the annual out-of-pocket maximum of $11,000 was cost prohibitive. Especially for many young or low-wage employees, obtaining this amount of money at once could prove to be extremely difficult or even impossible. While some respondents suggested an annual out-of-pocket maximum of around $2,000 or less, the majority felt that reducing this amount to about $5,000 would be much more appropriate.
- Participants at five companies voiced concern that the annual deductible of $1,000 was too high. In their opinion, many healthy individuals would experience little or no benefit from a plan with such a high deductible provision. Common suggestions for revised deductibles ranged from $250 to $750.
- Participants at five focus groups suggested that more than two doctor's office visits should be allowed at the $25 co-payment. They contended that many people, and especially people with young children, could easily exceed this visit allowance in any given year. The most common suggestions were for between four and six co-pay visits each year.
- Participants at four companies felt that the 70/30 coinsurance requirement was either undesirable or unacceptable. They suggested that an 80/20 split is more consistent with the industry standard, and this lower coinsurance requirement would be significantly preferable.
- Participants at three companies suggested that four to six psychiatric/substance abuse visits were needed at the $40 co-payment, and three others recommended that a vision exam should be included in the plan.

- Other miscellaneous suggestions included eliminating the separate $500 deductible for prescription drug coverage, expanding the dental coverage to include common dental procedures, and adding chiropractic and acupuncture benefits.

Plan B also had several characteristics that were commonly cited as being especially attractive. The relatively low deductible, coinsurance and out-of-pocket maximum were almost unanimously viewed as being very appealing, especially for young, healthy, low-wage, or blue-collar workers. Numerous participants also cited the co-payment structure of the prescription drug coverage as being much preferable to the deductible and coinsurance configuration under Plan A. The average annual cost of $120 was viewed as a tremendous selling point as well, and the plan was overall viewed as an excellent low-cost alternative for uninsured small employers. Several participants also especially liked the fact that an annual vision exam and maternity care were included in the covered services.

Participating employers and employers expressed several common criticisms and suggestions for Plan B as well:

- Thirteen participants expressed concern that the prescription drug coverage of $500 per year was not adequate. They felt that individuals with one or two maintenance drugs could easily exhaust this allowance in a given year and suggested that this amount be raised to at least $2,000.
- Nine respondents voiced the opinion that ambulance services should be included in the plan. They argued that ambulances regularly cost hundreds or even thousands of dollars, and are essential when a true health crisis occurs.
- Six respondents suggested that both additional doctor visits and hospital days should be allowed each year. They felt that the restrictions of six doctor visits and five hospital days sounded adequate in a normal year, but these limits should be raised to approximately eight office visits and eight hospital days in the event that a moderately severe illness or injury takes place.
- Four respondents expressed concern that psychiatric and substance abuse coverage was not included on Plan B. They felt that coverage similar to that provided under Plan A would be reasonable, but four to six visits would be preferable.
- Two participants also felt that durable medical equipment, private duty nursing and skilled nursing facilities should be included.
- Other participants suggested that the dental coverage should be expanded to include common dental procedures and that chiropractic care and acupuncture should be included as covered benefits.

Participants also made several other important observations and recommendations about the prototype benefit plans. For example, sixteen employers supported the concept of having multiple benefit plan options available for each participating company, even if this would result in a slight premium increase each month. Several of these participants even suggested that TDI should provide three to five different plan options, with a more

comprehensive plan or a truly catastrophic plan being included. Two participants took this concept a step further by recommending that the members of a family should be able to individually select the plan that best meets their needs. Six employers stressed the importance of contracting with a carrier that could provide the most comprehensive coverage network for this project in addition to cost considerations, while two employers opposed having a provider network of any kind. Three employers suggested that an expanded dental rider be made available at an additional cost, while three others suggested that temporary, part-time and seasonal workers be allowed to participate in the plan. Other employers others suggested that the dental and/or vision benefits be removed altogether in favor of additional medical and/or prescription drug coverage. Another employer suggested that the plans include a credit to encourage enrollees to exercise and generally promote healthy lifestyle habits, while another suggested that the State should assume a key role in promoting and educating the public about this pilot program. This participant contended that the State's official endorsement of the pilot project would likely bring legitimacy to the plans and that an educational campaign directed by TDI would be an extremely valuable outreach instrument. Finally, another employer suggested that premiums be paid through payroll deductions or some other reliable mechanism to help ensure that policies are not allowed to lapse.

Section V: Revised Prototype Benefit Plans

After completing the focus group sessions, TDI held a follow-up meeting with the Houston State Planning Grant Small Employer Benefit Plan Working Group to present the original prototype benefit plans and discuss the input received at the focus groups. At the meeting, Milliman's actuarial consultants also discussed the premium impacts of several benefit plan revisions commonly recommended by focus group participants. Each plan revision was considered in relation to its relative premium increase, and an extremely important consideration was maintaining a premium of approximately $150 per employee per month.

For Plan A, Working Group participants supported increasing the annual maximum benefit of $100,000 and including two additional office visits at the $25 co-pay for small children under the age of two. Annual maximum benefits of $250,000, $300,000, and $500,000 were considered as alternatives. For Plan B, participants most supported including ambulance coverage, allowing a $25 co-pay for two of the six annual doctor's office visits, and increasing the annual maximum prescription drug benefit of $500. Annual prescription maximums of $1,000 and $2,500 were considered as alternatives. In both cases, the revised annual benefit maximums will ultimately be determined during negotiations with the carrier contracted to sell the benefit plans.

The following table provides a side-by-side comparison of the covered benefits under the revised prototypes of Plan A and Plan B. In this example, a $300,000 annual maximum benefit is considered under Plan A, and a $1,000 annual maximum prescription drug benefit is considered under Plan B. Increasing the annual maximum benefit of Plan A to $300,000 added an average of $8 to the estimated monthly premium cost, while two additional office visits at the $25 co-pay for children added approximately 40 cents per month to the child premium. For Plan B, increasing the annual prescription drug benefit to $1,000 added an average of $10 to the premium of the original prototype. Ambulance coverage added about one dollar, and two office visits at a $25 co-pay added about 70 cents. Overall, these benefit plan changes resulted in a premium increase of approximately $8 for adults and $4 for children per month under Plan A, and premium increases of approximately $12 for adults and $4 for children per month under Plan B.

	Plan A Revised Prototype: Catastrophic Care Plan	Plan B Revised Prototype: Basic Benefit and Preventive Care Plan
Plan Basics		
Approximate Monthly Premium Cost Per Adult	$156	$129
Approximate Monthly Premium Cost Per Child	$72	$59
Annual Deductible	$1,000	$250
Coinsurance	30%	20%
Out-of-pocket Maximum (Including deductible)	$11,000	$1,250
Annual Maximum Benefit	$300,000	No specified dollar limit
Hospital Benefits		
Inpatient Hospital Stay	Covered	Five days covered annually
Outpatient Hospital Surgery	Covered	Two visits covered annually
Hospital Outpatient Radiology, Pathology, and Diagnostic Tests	Covered	Two surgeries covered annually
Emergency Room Visits	Covered	Two visits covered annually
Physician Benefits		
Inpatient Hospital Care	Covered	Five days covered annually
Outpatient Hospital Care	Covered	Two visits covered annually
Doctor Office Visits and Preventive Care	The first two visits have a $25 co-pay for adults, and the first four visits have a $25 co-pay for children under age two; all other visits are subject to the deductible and coinsurance requirement	Six visits covered annually; the first two visits have a $25 co-pay
Doctor Office Visits for Substance Abuse and Psychiatric Care	First two visits have a $40 co-pay; all other visits are subject to the deductible and coinsurance requirement	Not covered
Radiology and Pathology	Covered	Two visits covered annually
Prescription Drug Benefits		
Deductible	$500	None
Coinsurance	30%	None
Co-payments	None	$10 for generic drugs, $20 for formulary brand name drugs, and $30 for non-formulary brand name drugs
Annual Maximum Benefit	None	$1,000

	Plan A Revised Prototype: Catastrophic Care Plan	Plan B Revised Prototype: Basic Benefit and Preventive Care Plan
Additional Covered Services		
Ambulance	Covered	Covered
Private Duty Nursing	Covered	Not Covered
Home Health Care	Covered	Not Covered
Durable Medical Equipment	Covered	Not Covered
Prosthetics	Covered	Not Covered
Maternity Care	Covered	Covered
Psychiatric Care	Covered	Not Covered
Substance Abuse Treatment	Covered	Not Covered
Vision Exam	Not Covered	Covered
Glasses or Contacts	Not Covered	Not Covered
Dental Coverage	Two annual preventive visits are covered at 100% after $25 co-pay	Two annual preventive visits are covered at 100% after $25 co-pay
Chiropractic Care	Not Covered	Not Covered
Podiatrist	Not Covered	Not Covered

Section VI: Conclusion

Using grant funds received from the Health Resources and Services Administration and the expertise of experienced health actuaries, marketing consultants and local stakeholders, TDI developed two prototype small employer health insurance plans as part of a pilot project to provide affordable health insurance for uninsured workers in Harris County. One plan provides primarily catastrophic benefits, while the other plan focuses more on primary and preventive care coverage. The initial catastrophic benefit plan design was estimated to cost approximately $150 for adults and $70 for children each month, while the primary and preventive care plan was estimated to cost approximately $120 for adults and $55 for children.

Focus group discussions with small business owners in Harris County provided extensive feedback on these plans. Support for the program was overwhelmingly positive, as 22 of the 25 participating companies expressed interest in purchasing either one or both of the prototype plans when they become available. Participants also provided a significant amount of oral and written feedback, and many of their suggestions have been incorporated into re-designed prototypes. TDI will continue to work with the Houston SPG Small Employer Benefit Plan Working Group, the Greater Houston Partnership and other stakeholders to finalize the program design and negotiate with a licensed carrier to market this new program. Although a number of significant details still must be finalized, the goal is to begin offering coverage in early 2007.