Introduction

According to the National Academy of Sciences, millions of Americans lack health insurance and, with the economy in recession, the number is likely to increase. Texas is not immune to this national trend. Despite attempts over the past decade to reduce the number of uninsured, an estimated 4.8 million Texans (24.5%) had no health insurance.[2]

To better understand the factors affecting the uninsured in Texas, the Texas Department of Insurance (TDI) submitted, and was awarded, a planning grant from the federal Health Resources and Services Administration (HRSA). The primary purpose of the grant was to enable Texas to develop a comprehensive plan to significantly reduce the number of individuals without health insurance. Project activities under this grant included the following:

- A statewide survey of approximately 50,000 small employers;
- A statewide telephone survey of uninsured Texans with incomes above 200% of federal poverty level;
- A survey of the largest insurance carriers and health maintenance organizations;
- A series of focus groups throughout the state with small employers and the uninsured;
- A review of activities from other states;
- A review of Texas demographic data; and
- The development of various insurance expansion options.

[2] March 1999 U.S. Census Bureau Population Survey

The Public Policy Research Institute (PPRI) at Texas A&M University[3] assisted TDI with two of the grant-funded activities: the focus groups and the telephone survey of uninsured individuals who were over 200% of poverty level. This document is the final report of those two activities and includes the following sections:

- An examination of the responses given to the focus group questions and an analysis of the discussions which took place;
- A detailed description of the non-poor uninsured in Texas based on the results of the telephone survey;
- An in-depth analysis of four distinct segments of the non-poor uninsured as found in the telephone survey; and
- A discussion of segment-based strategies that may be used to increase the number of Texans without health insurance, combining knowledge gained from both the telephone survey and the focus groups.

[3] PPRI was established by a special item appropriation of Texas A&M University during fiscal year 1983 to provide relevant scientific research to the Texas Legislature and the various federal, regional, state, and community agencies actively engaged in determining public policy. This mission is fulfilled through the employment of personnel with the expertise to conduct evaluative research, by operating a nationally known survey research center, and through an ambitious, experiential-based training environment for Texas A&M University graduate and undergraduate students.

Focus Groups

What Was the Focus Group Methodology?

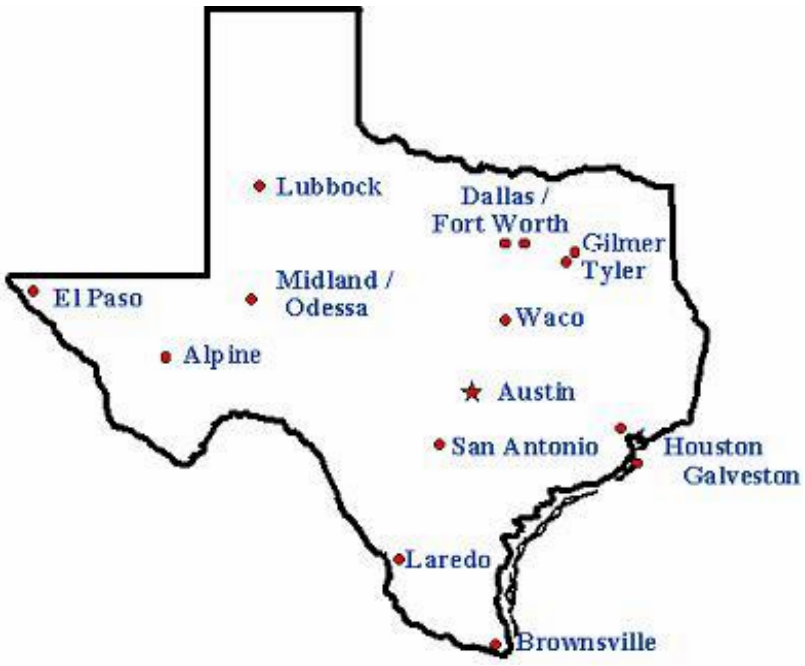
What are Focus Groups?

Focus groups are organized discussions with a selected group of individuals. They are used to gain information about views and experiences related to a specific issue and are particularly appropriate when the respondents have several perspectives about the topic under discussion. Unlike the data from a telephone survey, the information obtained through focus groups cannot be analyzed statistically, there is no way to determine significance, nor can one data set be cross-referenced with another data set to establish correlation or patterns. Instead, the data from focus groups reflect a collection of thoughts and ideas expressed extemporaneously by people in response to specific questions asked by the focus group moderator. When these questions are answered multiple times by multiple groups of people important themes about the topic or issue may emerge.

When and Where Were the Focus Groups Conducted?

Focus groups were conducted during September and October of 2001. They were held in 15 cities throughout Texas, as indicated on the map below.

Figure 1: 15 Texas Focus Group Sites



A series of three focus groups was held in each location. One focus group in each location targeted unemployed individuals who did not have health insurance. A second focus group targeted employed individuals who did not have health insurance. And a third focus group targeted small business owners.

Who Participated in the Focus Groups?

Participants from the targeted populations were recruited in several ways. Organizations such as clinics, hospitals, workforce center offices and other community groups were contacted by phone and asked if they would serve as sites where information about the focus groups could be made available. These sites were sent posters and flyers that included information about the focus groups. The posters and flyers also included a toll-free number and/or a postage-paid postcard that could be used to register for a specific focus group session. Additionally, information about the focus groups was provided to local media. Finally, information about the focus groups was included in a TDI survey of small employers that was conducted as another part of the HRSA grant.

Individuals who wished to participate in the focus groups were required to contact PPRI for details about the time and location of the group they wanted to attend. This control was imposed because it was necessary to keep an accurate count of the number of individuals planning to attend each session. By maintaining this control, PPRI was better able to ensure attendance at all the groups. People who participated in the focus group received a small stipend for their effort.

A total of 323 individuals participated in the focus groups. Of these, 113 were unemployed individuals who did not have health insurance, 83 were employed individuals who did not have health insurance, and 127 were small employers (see Appendix A).

Approximately one-third of the individuals who participated in the focus groups learned about them from the TDI survey that was sent to small employers. An additional 22% saw information about the focus groups in their local newspaper. Fifteen percent of those participating saw information about the focus groups at local workforce center offices. The remaining 31% learned about the focus groups from information posted at other community organizations or agencies (12%), through word of mouth (8%), from information posted at health care providers sites (6%), from temporary employment agencies (2%), from announcements made on the radio or television (2%), or from information posted at Texas Cooperative Extension Service offices (1%) (see Appendix A).

Even though the individuals who participated in the “unemployed” focus groups did not currently have jobs, the majority of them had been employed in the past and had experience with health insurance as an employee benefit, including experience with the Consolidated Omnibus Budget Reconciliation Act (COBRA) process and with trying to obtain health insurance on their own. The employed

individuals who participated in the focus groups seemed to have less experience with health insurance than did their unemployed counterparts. Many of these employed individuals had received insurance in the past through their employer, but the majority had not. The small employers had experience with the processes involved in securing health insurance for themselves *and* for their employees.

What did the Focus Group Participants Discuss?

Focus group participants were asked for their thoughts in relation to five questions. The questions varied slightly depending on the targeted audience, but basically addressed the same topics. These were:

- The reasons why so many Texans do not have health insurance;
- The kinds of assistance or support that might help more Texans obtain health insurance;
- The questions or concerns (other than financial) that were important when considering health insurance;
- The best ways for people to learn about health insurance options; and
- The kinds of experiences people had with health insurance agents and providers.

  (See Appendix A for verbatim text of the questions.)

When needed, PPRI staff members were available to assist individuals who preferred to communicate in Spanish.

What did Focus Group Participants Say?

Responses to the focus group questions are included in the sections below. Each section also contains a brief explanation about the relative importance focus group participants gave to specific items. In some instances, the comments from small employers were very specific to their unique situation and have been listed separately. In addition to the formal focus group questions, many focus group participants volunteered personal stories about their encounters with health care and health insurance. Some of these stories are also included in this report.

Question 1

Why Do So Many Texans Not Have Health Insurance?

Virtually all focus group participants mentioned cost/affordability as the primary reason why so many Texans did not have health insurance. Additional factors related to employment and the economy were thought to exacerbate the effects of high health insurance costs. The small employers were also in agreement that the cost of health insurance was the primary reason why so many Texans were uninsured. Many of the small business owners felt trapped in a situation where they could not afford to pay the premiums for employees nor could they afford to pay employees high enough wages to afford these premiums on their own.

Focus group participants also believed that insurance companies held an exorbitant amount of power and control over the insurance market in Texas. This often made it difficult for individuals or small employers to purchase health insurance. Focus group participants also identified several other factors that could affect the number of Texans who had health insurance. These included factors that focused on political issues, knowledge issues, issues related to high costs of medical care in general, and factors unique to Texas.

Factors related to the **cost** of health insurance included:

- The basic cost of the insurance premium itself;
- The cost of the co-pay;
- The amount of the deductible; and
- The relative cost of the insurance in comparison with other necessities.

Several participants provided examples in which cost factors affected their decision to purchase or maintain health insurance. While the specific instances and examples were varied, the majority fell in four overarching categories related to:

- The exorbitant costs of health insurance for people with pre-existing conditions even if those conditions were under control;
- The limits on eligibility for subsidized health insurance that excluded the working poor, some middle-income individuals, and/or individuals who had retired early;

- The increase in the cost of health insurance that occurred after someone lost their job (and income) and which made insurance an unaffordable "luxury"; and

- The ease with which more affordable health care could be accessed in Mexico.

Small employers listed all of the cost factors indicated above as reasons why it was difficult for them to provide health insurance as a benefit to employees. In addition, they listed several **cost-related factors** that were **specific to small employers**. These additional factors appeared to be closely tied to issues about (a) the composition of the insurance group, (b) the availability and ease of purchase and service, and (c) factors related to the use of discretionary funds.

- **Composition** of groups:

  - Options for joining larger groups, thus reducing insurance costs, were not readily available for small employers;

  - The small size of their insurance groups meant that small employers were especially susceptible to high costs based on pre-existing conditions or special circumstances of some of the members of the group; and

  - Small employers felt they were especially dependent on the expertise of their workforce; however, insurance costs were often higher for these older, more experienced workers.

- **Availability** of insurance, ease of purchase, and service:

  - Small employers felt that there were very few insurance providers that were interested in doing business with them;

  - The limited number of insurance providers meant that small employers had fewer alternatives when rates were increased;

  - Small employers felt that the limited business they provided to insurance companies was not enough to motivate those companies to devote adequate time to explain policies or provide good customer service; and

  - Lack of concise explanations and expedient service were especially difficult for small business owners because the nature of a small business required them to perform multiple functions, and only allowed them to devote a limited amount of time to insurance issues.

- Use of **discretionary funds:**

    - Tight profit margins meant that the amount of discretionary funds was limited and sometimes the purchase of other business-related items had a higher priority than the purchase of health insurance;

    - The high cost of health insurance for small employers meant that they were spending a larger percentage of their discretionary monies on insurance benefits than were large employers;

    - Some small employers let their employees make the decision about whether they would like available funds used to increase wages or to increase their benefits, and often employees chose increased wages;

    - Some small employers felt that they could afford to spend a limited amount of money on insurance and chose Workers' Compensation rather than health insurance; and

    - Some small employers felt they were in jeopardy of being forced out of business because of the high cost of insurance premiums.

Focus group participants felt that the cost-related factors that precluded Texans from purchasing health insurance were closely related to **employment and economic conditions** within the state. These included:

- The high level of unemployment, especially along the Texas/Mexico border;

- The high percentage of low-paying jobs;

- The high percentage of jobs that did not offer health insurance as a benefit;

- The high percentage of high-risk jobs;

- The high percentage of temporary and part-time jobs that did not include benefits;

- The high percentage of small employers, farmers and ranchers, and types of industries that did not always provide health insurance benefits at a reasonable cost;

- The large migrant labor force that worked in jobs that did not provide health insurance; and

- The lack of unions and/or any other form of unified voice for employees, thus limiting their ability to put issues in front of the legislature, demand specific employment benefits, and be used as the basis for larger insurance pools.

The perception of many of the individuals participating in the focus groups was that **insurance providers** had an exorbitant amount of **power and control**. These perceptions were based on:

- The ability of insurance companies to drop or deny coverage and/or charge exorbitant rates;

- The strength of the insurance lobby to prevent changes that would benefit consumers;

- The ability of insurance companies to leave the state without regard to previous commitments to clients;

- The insurance industry's ability to limit the options available for health coverage;

- The ability of insurance companies to dictate doctors and other health care providers rather than allowing individual choice;

- The amount of red-tape insurance companies imposed on individuals who filed claims;

- The insurance industry's lack of clear and concise communication with people who wanted to purchase their product;

- The insurance industry's apparent disinterest in using a consistent format that would allow people to compare insurance providers and options; and

- The inability of the public to effectively defend themselves against insurance industry abuse.

In addition to the factors listed above, focus group participants thought that the following additional reasons might be instrumental in understanding why there were so many uninsured individuals in Texas. These included (a) political factors, (b) knowledge factors, (c) factors related to the cost of medical care in general, and (d) factors unique to Texas.

- Examples of **political factors** included:
  - Ineffective state laws governing health insurance and the pricing of health insurance;
  - The perception that the Texas Legislature was "business friendly" rather than "people friendly" combined with the perception that political leaders had a general disregard for the poor and the working poor;
  - The perception that Texas political priorities did not include health needs; and
  - The lack of legislated incentives for small employers to provide health insurance.
- Examples of **knowledge factors** included:
  - A lack of understanding amongst Texas residents and the importance of health insurance;
  - A lack of understanding amongst Texas residents about how insurance worked;
  - A lack of publicity about state-subsidized health insurance options;
  - The lack of a central source of information about health insurance; and
  - The lack of information about insurance that was available in Spanish.
- Examples of **factors related to the cost of medical care in general** included:
  - The knowledge that high medical costs drove up the cost of insurance;
  - The impact of the high cost of medical malpractice and malpractice insurance; and
  - The fact that cheaper healthcare was readily available in Mexico.

- Examples of **factors unique to Texas** included:

  - The relatively young median age of Texans combined with the perception that young people did not always believe that health insurance was important;

  - The large immigrant population in Texas combined with the fact that immigrants did not always know how to access programs that were available to them and/or often were afraid to access these programs;

  - The large low-income and middle-income populations in Texas who could not afford insurance but were not eligible for state or federal subsidies; and

  - The large population of transient employees in Texas who could not always take their health insurance with them as they moved from place to place and from employer to employer.

Question 2

What Kinds of Assistance or Support Might Help Increase the Number of Texans Who Have Health Insurance?

The second focus group question asked participants for suggestions and recommendations for dealing with the issues raised by the first question. The majority of suggestions for increasing the number of Texans who had health insurance focused on ways in which costs could be lowered for consumers. Typically, this involved the creation and/or expansion of programs, including programs specifically designed for small businesses. Some focus group participants even provided recommendations for how these new and expanded programs could be financed.

Other suggestions for increasing the number of Texans who had health insurance dealt with increasing or enforcing health insurance regulations in a manner that would lower the cost of insurance and/or make obtaining that insurance more "user friendly". These suggestions, along with the suggestions related to creating and expanding programs, tended to involve some type of governmental intervention. Therefore, some participants' recommendations included a heightened appeal to public officials regarding the need for reform in the health insurance and the health care industries. A final category of suggestions included the creation and dissemination of information regarding health insurance and health care options.

Examples of suggestions for **new programs** that might help more Texans obtain health insurance included:

- Creating a system of universal health care that included all Texans and was based on a socialized model[4];

- Creating subsidized insurance programs that included populations who were "hard to insure" such as the elderly and people with pre-existing conditions; included populations who typically did not purchase health insurance such as unmarried individuals and students; and included rates based on a sliding scale according to income or a system of insurance premium discount cards that could be used by people in income brackets falling above current eligibility levels for subsidized insurance;

- Developing state basic and catastrophic insurance packages that were affordable and that covered major health care costs regardless of pre-existing conditions, age, marital status, type of employment, etc.;

- Providing some type of temporary insurance for individuals who were looking for employment, who had temporary employment, who were employed part-time, or who were not yet eligible for insurance that would eventually be provided by their employer;

- Creating a program whereby people could gain credits toward insurance by providing a service to the state or their community;

- Developing a system to analyze and determine "fair cost" pricing that insurance companies would be required to use as a basis for their rates;

- Creating a program that would penalize employers who purposefully engaged in practices to get around having to provide health insurance, including practices such as keeping people employed part-time or on a temporary basis; and

- Creating an insurance ombudsman/advocate to help individuals and employers with any insurance-related problems.

Examples of suggestions for the **expansion of existing programs** included:

- Extending coverage similar to the CHIP program to adults;

- Extending the eligibility criteria of Medicaid and Medicare programs;

[4] Despite a recognized anathema to using the "socialized", a significant number of participants at the focus groups chose exactly that word.

- Expanding the scope of medical savings accounts;

- Expanding the unemployment insurance program to include health insurance for people who were unemployed;

- Re-examining the Texas Workers' Compensation program to determine if it could be expanded to include health insurance; and

- Raising minimum wages in the state so that more people could afford insurance.

Examples of programs that were specifically suggested to **benefit small employers** included:

- Allowing employers to pay their employees a non-taxable stipend that could be used for health insurance premiums;

- Allowing small employers to become part of a large state-wide insurance pool;

- Pairing small companies with large companies in the same insurance pool as a means to control rates and expand coverage for small companies;

- Creating a special state health insurance advocate to intercede on behalf of small businesses;

- Creating incentives or tax breaks for small businesses that provided insurance to their employees;

- Allowing small businesses to pay insurance costs with pre-tax dollars;

- Requiring insurance providers to allow small businesses to pay the same rates for the same insurance that large employers paid;

- Developing a list of health insurance companies that had the best rates and coverage for small businesses;

- Replicating the Workers' Compensation program for health insurance, i.e. having the state run the program and determine the rates; and

- Creating a subsidy to help small employers afford health insurance benefits for employees.

Examples of suggestions for **financing programs** included:

- Using the money from the tobacco lawsuit settlement to subsidize health insurance;
- Using some of the money from the lottery to cover the costs of state subsidized health insurance;
- Using the tax money collected from cigarettes and alcohol to pay for a subsidized health insurance program;
- Using part of the sales tax to help subsidize health insurance;
- Applying for federal grants to assist with insurance costs;
- Finding out what other states were doing and using what worked; and
- Creating a special tax to be used to help subsidize health insurance.

Examples of suggestions that could impact the **regulation of insurance companies** dealt with several aspects of the insurance system. These included (a) monitoring insurance industry practices, (b) dealing directly with the pricing of insurance coverage, (c) changing practices related to coverage, (d) standardizing industry procedures, and (e) expanding customer service. Examples of these suggestions included:

- Examples of **monitoring**:
  - Developing stronger rules and regulations;
  - Doing a better job of enforcing existing rules and regulations; and
  - Targeting resources to reduce insurance fraud.
- Examples of **pricing**:
  - Creating a cap on how much health insurance and health care providers could charge;
  - Enacting and enforcing strict penalties for price gouging;
  - Providing incentives for insurance companies to provide coverage in which premiums were based on a sliding scale according to income;
  - Providing incentives for insurance companies to reduce premiums for people who practiced a healthy life style; and

- Requiring insurance companies to maintain the same fees for more than one year.

- Examples of **coverage**:

  - Prohibiting insurance companies from dropping coverage in the middle of treatment;

  - Requiring insurance companies to create insurance pools in a way that would minimize the cost of insurance for people with pre-existing conditions and chronic illnesses;

  - Requiring insurance companies to adhere to mental health parity laws; and

  - Requiring insurance companies to cover more preventative and alternative care options.

- Examples of **standardization**:

  - Requiring insurance companies to develop consistent ways to describe benefits and coverage;

  - Requiring insurance companies to streamline their claims procedures; and

  - Requiring insurance companies to have similar policies and prices for large and small businesses.

- Examples of **customer service**:

  - Requiring insurance companies to have more flexibility in their billing cycles;

  - Providing incentives for insurance companies that worked directly with communities to help determine viable solutions to community health insurance problems;

  - Requiring insurance providers to write policies, rules, procedures, etc. in plain language so that they were understandable to the average person; and

  - Having the insurance companies devise more flexible plans and interchangeable options.

Because so many of the suggestions dealt with changes that could only be made by a governmental body, focus group participants recognized the need for heightened **appeals to elected officials**. Examples of these included:

- Holding leadership more responsible for issues related to health care;
- Expecting state elected officials to work more closely with federal elected officials to develop a comprehensive state/federal program of subsidized insurance and health care; and
- Letting the president and other elected officials know that health care (and health insurance) was a major problem and that finding a solution should be a national priority.

In addition to suggestions that focused on developing or expanding programs and suggestions that focused on changing insurance regulations, participants also recognized the need for the **creation and dissemination of information** about health insurance. Examples of these suggestions included:

- Providing education to people so they would know what was available;
- Establishing a public information program about health insurance;
- Providing one-on-one contact with people who could help to educate others about insurance;
- Having town meetings about health insurance;
- Advertising more about available insurance options;
- Establishing a central toll-free number where people could call for information about health insurance;
- Having “insurance fairs” throughout the state to explain the health insurance options that are available;
- Expanding public awareness about the problems surrounding health insurance and how uninsured people impacts us all;
- Having a help-line with trained staff who could answer questions about insurance;
- Having more open meetings in which insurance issues could be discussed;

- Providing more education about the whole insurance system and how the process worked;

- Educating people about all the health care options available to them;

- Developing a standard format so people could compare coverage and rates of health insurance policies;

- Making information available about programs that worked in other states;

- Using corporations and foundations as a vehicle for teaching people about health insurance; and

- Having TDI publish "consumer reports" about health insurance providers.

Question 3

What Questions or Concerns (Other Than Financial) Are Important When Considering Health Insurance?

The individuals participating in the focus groups were asked to think about health insurance concerns that were not directly related to the cost of insurance or the amount of co-pays and deductibles. Items related to coverage headed the list of these concerns. These were followed by items related to policies and procedures governing claims and payments and more general policies and procedures. Finally, focus group participants expressed concerns about the satisfaction of insurance customers. In addition, concerns were identified that were specific to small employers.

The most prevalent concerns related to **coverage** included:

- What treatment and medical expenses would be covered - for example, would the policy cover well-patient care, sick-patient care, prescriptions, dental care, vision care, mental health care, diagnostic tests, preventative care and alternative medicine, treatments for terminal diseases, treatments for pre-existing conditions, expenses related to after-care, etc.;

- Who would choose the doctors and health care providers;

- Which doctors and health care providers would accept the insurance;

- How much flexibility would doctors have in determining patient care and how much would the insurance provider dictate;

- What cap or limit would the policy place on coverage – for example, how long could someone receive treatment for the same condition, how long could someone be hospitalized, and what was the maximum amount the policy would pay;

- Would the same policy cover an entire family;

- Would the policy cover any travel or transportation costs if the patient was required to see a doctor in another city;

- Would the policy include disability insurance; and

- What would the policy cover, and what were the procedures, when it was necessary to access health care in locations other than the insurance client's home town.

Examples of concerns related to **claims and payments** included:

- What were the up-front and out-of-pocket costs;

- What was the length of time it would take to process a claim;

- What were the procedures for reimbursement;

- What were the procedures when the limits were reached;

- What were the procedures if a claim was denied; and

- What were the "hidden" costs and restrictions on coverage.

Examples of concerns related to **other policies and procedures** included:

- What was the waiting period before coverage started;

- How would pre-existing conditions be handled;

- What was the length of time the policy would remain in effect; and

- Were there any changes in coverage that would occur if the person used their COBRA option or once that COBRA option expired.

Several focus group participants expressed concerns about items related to **customer satisfaction**. Examples of these included:

- Whether the insurance company provided full explanations in understandable terminology;
- Whether there was information available about how well the company followed through on claims;
- Whether there was information available about the competency of the doctors who accepted this insurance;
- Whether there was information available about the financial status of the insurance company;
- Whether someone knowledgeable about the insurance would be available to explain the policy in plain language;
- Whether there was someone local who represented this insurance company;
- Whether information from application forms and claims was kept private; and
- Whether the insurance company was considered reliable and trustworthy by doctors, hospitals and previous customers.

The **small employers** who participated in the focus groups expressed **concerns** over items that were specific to their situations. These included:

- Questions about the ability of the insurance provider to meet the needs of the employees;
- Questions about the minimum number of employees who would have to enroll in the policy before the insurance company would be interested in providing coverage;
- Questions related to cost-sharing of premiums between the employer and the employees;
- Questions about the length of time the plan would maintain the same premium;
- Questions about the maximum policy coverage per employee;

- Questions about an employee's ability to expand or customize his/her coverage and to include family members;

- Questions about how many other small employers used the insurance provider;

- Questions about how downsizing or upsizing would effect coverage;

- Questions about how the age and gender of employees would effect coverage;

- Questions about how much assistance would be available from the insurance provider if the business had a question;

- Questions about the understandability of the language in the contract between the employer and the insurance provider;

- Questions about the understandability of the information provided to employees;

- Questions about the insurance company's commitment to remain in Texas; and

- Questions about the employers' liability for choosing any particular insurance provider.

Question 4

What are the Best Ways for People to Learn More About Health Insurance Options?

Focus group participants mentioned factors related to the importance of information about health insurance in discussions related to all of the focus group questions. When asked about the types of information that should be made available and the possible ways this information could be disseminated, they had several recommendations. The primary suggestion was that there should be a central point where information could be collected, accessed and distributed. Focus group participants also provided suggestions about the types of information that would be useful and about additional means in which the public could become aware and take advantage of this information.

Suggestions related to the creation of a **central access point** included the following:

- Creating a toll-free insurance hot-line;
- Creating a centralized number or facility that provided access to many insurance companies;
- Designating a state agency resource department that could provide information;
- Establishing a clearinghouse for all information about health insurance;
- Having a designated location in each city where people could get information about health insurance;
- Setting up a website devoted to providing information about health insurance and health insurance providers; and
- Creating a consumer governing board to set standards and to develop and provide information about health insurance.

Suggestions about **information for small employers** included:

- Creating a health insurance "consumers' guide" and sending it to all small employers on an annual basis;
- Having an advisory board of small employers develop a minimum set of standards for health insurance, including coverage, payment of claims, customer satisfaction, etc. so that data about how well each insurance provider conformed to these standards could be collected and distributed;
- Creating a special web page with information specifically for small employers;
- Conducting classes to educate small employers about health insurance;
- Conducting a series of informational seminars;
- Distributing information to small employers in conjunction with information sent by Texas Workforce Commission or with state sales tax information;

- Creating a handbook about health insurance for small employers; and
- Creating a special health insurance ombudsman/expert for small employers.

Suggestions about **published information** (including information published on websites) included:

- Conducting a comparative analysis of insurance providers;
- Publishing an annual report that compared insurance providers and coverage plans;
- Standardizing data about all insurance providers – much like a "report card";
- Listing "approved" insurance providers, i.e. providers who abided by certain pre-determined standards and practices;
- Publishing all information in Spanish and other languages as necessary;
- Ensuring that all information was in simple language that was easy to read and understand;
- Compiling health insurance "Frequently Asked Questions" information;
- Creating a glossary of health insurance terminology;
- Creating a statewide standard format for health insurance policies and contracts; and
- Creating informational videos targeting specific audiences such as individuals, employers, Spanish speakers, etc.

Suggestions related to **personal contact** as a means for providing information included:

- Designating a person at a local state agency or social service office to serve as the "insurance expert";
- Distributing information through independent insurance agents;
- Creating a health insurance ombudsman;

- Designating insurance provider representatives who were assigned to disseminate information and to answer questions;

- Creating a “speakers bureau” of experts who could travel to the community or the employer to provide information about health insurance;

- Identifying and utilizing people who could provide information in Spanish and other foreign languages;

- Educating elected officials about health insurance options and where information could be obtained; and

- Distributing information about COBRA to employees at exit interviews.

Suggestions involving **meetings and special events** included:

- Conducting free local seminars about insurance;

- Holding conferences that focused on health insurance options;

- Conducting health insurance information seminars at least once a year;

- Having insurance and health fairs;

- Having comprehensive education programs to teach staff at local, state, and federal agencies about health insurance so they will be better able to answer questions;

- Having special media campaigns about health insurance;

- Holding public forums about health insurance; and

- Having educational programs for independent insurance agents.

Suggestions about ways in which information could be **mass distributed** included:

- Sending information through the mail;

- Printing information in the newspaper;

- Broadcasting information via radio and television;

- Distributing information via e-mail;

- Distributing information as part of the unemployment information packet or the Workers' Compensation information packet;
- Distributing information through schools;
- Distributing flyers door-to-door;
- Distributing information through doctors and other health care providers;
- Distributing information at job-fairs;
- Distributing information through state and federal agencies;
- Making telephone calls;
- Producing public service announcements in multiple languages;
- Putting information on billboards; and
- Placing information at public libraries, post offices and grocery stores.

Question 5

What Kinds of Experiences did People have with Health Insurance Agents and Providers?

Because the focus groups targeted individuals who had no health insurance, it was not surprising that many of these participants had little experience dealing with insurance agents or providers. It also was not surprising that the majority of individuals who were willing to share their experiences told "horror" stories about their encounters.

A few of the focus group participants had **good experiences** with health insurance. These experiences were related to:

- Good accessibility;
- Good follow-through on services and claims;
- Good assistance in dealing with problems; and
- Good experiences working with independent insurance agents.

However, the majority of focus group participants had negative experiences with health insurance. Some of these experiences were specific to small employers. Other negative experiences involved (a) communication problems, (b) problems related to claims, (c) problems related to coverage and service, and (d) problems caused by perceived unfair practices and/or perceived deception. Examples of these **negative experiences** included:

Experiences specific to **small employers** were:

- The company was too small to qualify as a group;
- The company would like to have stayed with the same insurance provider but the costs went up every year;
- The small employer had a policy that was sold to another company and the new company would not cover pre-existing conditions, even though these conditions had not existed prior to purchasing the insurance with the first company;
- The insurance company promised one price and then had a mid-year increase; and
- The small employer had difficulty finding affordable insurance because they had a number of older, more experienced employees.

Experiences related to **communication** were:

- The salespeople were pushy and other insurance company employees were rude;
- The experience of applying for insurance was degrading and invasive;
- There were too many loopholes and too much confusion over what would be covered and what would not be covered;
- The insurance company would not provide the information needed to completely understand their coverage;
- The voice-mail system at the insurance company was cumbersome and calls were rarely returned in a timely manner;
- The insurance company and the health care providers did not communicate very well with each other;
- Agents did not always know when providers made changes in the policy or in coverage;

- The insurance company never sent a coverage card so there was no proof of insurance; and

- The insurance enrollment period was too short and there was no open-enrollment option.

Experiences related to **coverage, claims and services** included:

- It took too long for the claim to be processed and paid;

- There was a long delay before treatment was approved;

- It was hard getting referred to an appropriate specialist;

- The insurance coverage would not transfer from state to state even though it was through a national provider;

- The insurance company refused to pay for a treatment that was prescribed by the doctor;

- The client was forced to leave the hospital before the doctor wanted them to because the insurance would no longer pay;

- The insurance company dictated which medications the doctors could prescribe;

- It was difficult to find a health care provider in their community who had "qualified" with the insurance company;

- The deductible was changed without notifying the customers; and

- The COBRA for their insurance was too expensive for someone who was out of work.

Experiences related to **perceived unfair practices** and/or **perceived deception** were:

- The insurance was cancelled but the provider never informed them;

- The insurance company authorized treatment and then denied payment;

- The insurance company would only send the reimbursement to the doctor but the doctor would not always pass it to the client;

- The insurance company used faulty information as the basis for denying coverage even though they knew the information was faulty;

- The insurance company kept changing the time limit on providing services for pre-existing conditions;

- The insurance company was so slow in paying claims that doctors stopped accepting them;

- The insurance company did not seem to care that people who filed claims were ill and needed extra assistance in trying to deal with the bureaucracy;

- The insurance provider decided to no longer offer insurance in Texas but did not communicate this information; they did, however, continue to bill and to accept payments for premiums; and

- The insurance provider changed the amount of the deductible in the middle of a coverage period and without notice.

Focus group participants told many **stories** about their experiences with insurance. A few examples of these stories are included below.

Story 1. A woman and her husband worked most of their adult lives and had health insurance. The couple was very frugal and saved enough money to retire early. Once they had retired and were no longer able to receive insurance through their employers, the couple discovered that they were virtually uninsurable. This was due to pre-existing conditions such as high blood pressure and arthritis. The couple then explored the possibility of getting insurance through the state risk pool. But the rates were so high that they could not afford them. It will be several years before this couple is eligible for Medicare. Until that time they will remain uninsured.

> (NOTE: This story is one of many told by individuals who were "caught in a crack" because they could not afford to purchase health insurance but were not eligible for subsidized policies. Like the people in the story, the majority of the people in similar situations had been employed most of their lives. Some were still employed but found that their paycheck would not stretch far enough to cover essential expenses *and* the cost of health insurance.)

Story 2. One small employer had a child with a major illness. The health insurance the employer provided for employees was very expensive because of this child, and every year the insurance got more expensive. The employer is now faced with the dilemma of laying-off employees and keeping the insurance or dropping the insurance coverage on this child and keeping all of the

employees. This latter option may have the additional consequences of placing the employer at risk of eminent bankruptcy because of enormous out-of-pocket medical expenses, thus forcing the company to be shut down and all employees to lose their jobs.

> (NOTE: This story is one of many told by small employers who were faced with dilemmas related to maintaining the financial viability of their business or providing health insurance benefits to their employees. Some of these employers realized that they could get cheaper insurance if they re-structured their workforce by laying-off older, more experienced employees. However, these were the very employees they wanted to keep because they were the ones who had helped the business grow and thrive. They were also the ones who had the maturity and expertise to be relatively self-directed and ensure that the business would continue to produce a quality product or service.)

Story 3. A highly-educated professional woman in her mid fifties had been previously diagnosed with breast cancer. The cancer had been treated and she had remained cancer-free for over ten years. However, insurance companies had continuously extended the amount of time she was required to remain cancer free before she would again be eligible for insurance. First it was two years, at which time she contacted the insurance company and was told that the time period had been extended to five years. After five years she was told the period had been extended to ten years. She is now being told that the waiting period has been extended to twelve years.

> (NOTE: This story is one of many told by many people who had been excluded from insurance because of pre-existing conditions. In some instances these individuals found that they could not secure employment because of the impact of their condition on the cost of employer-paid health insurance. It is also interesting to note that the individual in this story and many of her counterparts felt that they were very capable of dealing with the bureaucracy imposed by the insurance companies. However, they were relatively powerless to change insurance company rules, guidelines, and procedures.)

Story 4. A middle-aged female was a passenger in her own car when a truck hit it. The truck was at fault in the accident. The woman sustained many severe injuries, and emergency medical personnel took the woman to what they determined was the most appropriate hospital. She was treated and moved to intensive care to await necessary treatments. In relatively rapid sequence, her insurance provider requested that she be moved to a different hospital, her employer fired her, and her insurance company then cancelled her coverage. The admitting hospital refused to move her because of her condition, the employer fired her because she was not at work, and the insurance provider cancelled her coverage because she was no longer employed. At no point was

the woman contacted about any of these decisions. She was subsequently billed for her treatments, could not pay, had her bill turned over to a collection agency, and has had her credit rating destroyed. Today she has no insurance, has a difficult time working full time because of the long-term effects of her injuries, cannot buy a car because of her ruined credit rating, and lives in a homeless shelter because of her financial situation.

(NOTE: This story is just one example of someone whose life was completely disrupted because of an action taken by his or her health insurance company and insurance-related employer decisions. Unfortunately it is just one story of many – at least one per focus group session told by individuals who had similar experiences.

What was Learned from the Focus Groups?

Who did the Participants Represent?

After analysis of the comments made by focus group participants, it appeared that these individuals represented two distinctly different types of Texans who did not have health insurance. The majority of the focus group participants seemed to value and want health insurance but did not have it because they could not afford it. A smaller group of participants also seemed to value and want health insurance and could afford it, but did not have it for some other reason.

These two categories of individuals (those who want and can afford and those who want and cannot afford) are components of basic marketing theory that separates the potential market for a product into four groups:

1. Those who want the product and can afford it;

2. Those who want the product but cannot afford it;

3. Those can afford the product but do not want it; and

4. Those who cannot afford the product and do not want it.

By design, the focus groups eliminated participation from individuals who would have fallen into the first category and obtained health insurance. Therefore, those individuals participating in the focus group who could afford health insurance and who wanted health insurance but who still did not have it, must have encountered other barriers to purchase. Based on comments from the focus group participants, it appeared that these "other barriers" were most likely (a) they were not acceptable candidates for health insurance because of pre-existing conditions and were thus denied insurance by the providers and/or (b) they could not overcome difficulties related to finding information about health insurance and/or submitting an application for insurance.

The small employers who participated in the focus groups also seemed to represent businesses in categories similar to those described above. Many of the small employers indicated that cost was the primary reason they could not provide health insurance to employees (i.e., they wanted it, but could not afford it). Other small employers indicated that the composition of their business insurance group made health insurance almost unobtainable (i.e., they could afford it, but were having difficulty purchasing).

What Were the Assumptions of Focus Group Participants?

Participants at all of the focus group sessions held several general assumptions about the nature of health insurance. Some of these assumptions were universally accepted as valid and some were not.

The **universally-accepted** assumptions included:

- The assumption that health insurance was a necessity, rather than a luxury, and should be available for all Texans;

- The assumption that insurance companies were more interested in profits than in providing service;

- The assumption that the independent insurance agent played a critical role in (a) helping people understand more about health insurance and (b) helping people receive good service from insurance companies;

- The assumption that problems and issues related to the cost of health insurance could not be isolated from problems and issues related to the cost of health care in general;

- The assumption that more information and better access to information would help to mitigate some of the problems associated with health insurance;

- The assumption that there were gross inequities in the way insurance companies dealt with large employers compared with small employers; and

- The assumption that the Texas Legislature would be reluctant to deal with many of the health insurance issues that were identified during the focus groups.

Some of the assumptions related to health insurance and health insurance coverage were not universally accepted as valid. In these instances a dichotomy developed between one set of focus group participants and another set of focus group participants. These **dichotomous assumptions** included:

- An assumption about the role of the employer in providing health insurance. Most individuals not representing small employers believed that employers should be responsible for making health insurance available to their employees. However, small employers believed that they should not be placed in this role.

- An assumption about the influence of free health care on decisions about obtaining health insurance. Individuals who had never used free health care services believed that many Texans did not obtain health insurance because free services were available to them. On the other hand, individuals who had used free health care services believed that, if anything, once someone had used these services they would be more motivated to actively seek out health insurance instead of being re-subjected to the humiliation and poor quality of health care they had received.

- An assumption about the effect of health insurance on the cost of medical services. Some individuals believed that health care providers over-charged insurance companies, thus driving up the cost of health insurance. On the other hand, some individuals believed that health care providers under-charged insurance companies, thus driving up the cost of health care for the individual who did not have insurance.

- An assumption about the role government should play in health insurance. Some individuals believed that the only way health insurance could be made available to a majority of Texans was through some type of governmental action. On the other hand, some individuals believed that the governmental actions were what had created the dysfunctional health insurance system in the first place and that government should remove itself completely from the picture. These individuals believed that the way to make health insurance more obtainable was to allow the industry to operate in a free and unregulated market.

What Were the Impressions Formed by Focus Group Moderators?

Members of PPRI staff moderated all sessions of the focus groups. In doing so, they formed impressions about what was important regarding focus group topics, and they also formed general impressions about the focus group participants' perceptions about health insurance. These impressions are summarized below.

Question 1 - Why do so may Texans not have health insurance? The moderators all identified cost as the primary factor that kept people from obtaining health insurance. This was closely followed by people who could not purchase health insurance because of their pre-existing conditions. A third factor was related to a lack of knowledge about how to find reputable insurance companies.

Question 2 - What kinds of assistance or support might help increase the number of Texans who have health insurance? According to the moderators, lowering the cost of premiums was the most common response. Suggestions for how this could be accomplished focused on reforming laws, increasing regulations and creating or expanding programs. A second type of recommendation concentrated on improving the type and availability of information.

Question 3 - What questions or concerns (other than financial) are important when considering health insurance? The moderators were in agreement that topics related to coverage and personal choice about health care providers were at the top of the list.

Question 4 - What are the best ways for people to learn more about health insurance options? The moderators felt that several factors were identified in relation to this question. These included a central access point, local "experts" in most communities, special events related to health insurance, and the widespread dissemination of information (including using the Internet).

Questions 5 - What kinds of experiences did people have with health insurance agents and providers? Moderators agreed that most of the experiences were negative and most had to do with items related to claims, to being denied coverage, or to losing insurance because of an increase in cost.

General impressions - The moderators felt that many participants in the focus groups were relatively naïve about how health insurance worked or the purpose of the insurance. The commonly held belief among participants was that health insurance should pay for "whatever ailed them". The moderators also thought that the majority of focus group participants expected health insurance companies to provide them with the opportunity to "comparison shop" much like they experienced when shopping for car insurance. Participants were very disappointed that the health insurance providers worded policies and coverage options in ways that were not readily comparable or easily understandable.
Additionally, the moderators felt that focus group participants did not seem to understand, or to care about, the conceptual basis for insurance, i.e., that those who were the healthiest and had the fewest claims were necessary to subsidize those who were the sickest and had the most claims. Instead, the participants believed that health care was a right of all citizens and that health insurance was a means that would help them afford to exercise that right. And finally, the

moderators believed that focus group participants were interested in their personal need for health insurance and how the lack of health insurance impacted them and their families. There seemed to be very little awareness about how the high percentage of uninsured Texans impacted everyone in the state.

Telephone Survey

What Was the Survey Methodology?

How Was the Instrument Developed?

The telephone survey instrument used in this study was initially based on an instrument developed by the California Health Care Foundation and the Field Research Corporation in a similar study conducted in 1998. TDI and PPRI staff also examined several other instruments and considered the various research questions to be addressed. This exercise further enabled the creation and modification of survey questions. Requirements for the length of the questionnaire demanded careful prioritization of questions and the removal of several that would have been useful had there not been such constraints. The questionnaire was pretested by conducting simulated and actual interviews. After each round of testing, results were reviewed and the interviewers were debriefed. PPRI produced translations of the instrument into Spanish, using the California translations where possible. This draft was reviewed by TDI staff and pretested using bilingual PPRI staff. The instrument was programmed into a computer-assisted interviewing system and was carefully tested before the survey began (see Appendix B).

How Was the Sample Designed?

The targeted population for the telephone survey was people living in Texas who were 19 years or older, lived in households earning more than 200% of the federal poverty level (fpl), and who were not covered by health insurance. Since Medicare covered virtually all people 65 and older, they were excluded from the study.

The survey sample was randomly selected from all households in Texas with a working telephone. A detailed methodology for the selection of this sample is included in Appendix C. The methodology allowed for a random sample from all telephone numbers in the state including unlisted ones. Numbers were screened against lists of businesses, which were eliminated.

Initial contact was made, and a series of screening questions were asked to determine whether anyone in the household was qualified for the survey. Briefly, the study was introduced to the person answering the telephone, that person was asked if he or she was between 19 and 64 years of age and if they had health insurance. If that person did, but someone else in the household who did not, PPRI attempted to interview the person without insurance instead. When a person was found without insurance, it was determined if the household met the standards of 200% or more of the fpl. To do so, the number of people in the household was determined and, based on that number, the respondent was asked if the household exceeded or did not exceed the specified income level. Efforts were made to appropriately deal with households shared by individuals

who did not form a single household unit. The sample design had the desired effect of creating a random sample of people in Texas with the characteristics of the target population.

How Was the Data Screened and Collected?

PPRI began collecting data via telephone interviewing on October 15, 2001 and concluded on December 6, 2001. Detailed discussion of the procedures used in contacting respondents and collecting the data is found in Appendix C. The interviewing was under the control of a computer-assisted telephone interviewing system that managed the sample and the interviewing process. Interviewers worked in carefully monitored workstations. At least 5% of interviews were monitored during each shift. Most interviewing was conducted during weekend and evening shifts. Scheduled callbacks were attempted during the day as well as attempts on other numbers that had not been found useful during the other shifts.

Finding the respondents involved a very large effort. The survey found that only 4.6% of all successfully-screened respondents fit the qualifications and only about 72% of those identified as eligible were willing to complete the interview. A detailed disposition of the sample is located in Appendix C. Starting with 61,702 telephone numbers, over 20,000 of those were found to be bad numbers (not working, not residential, etc.). An average of 4.8 calls was made on each of the 61,702 numbers. PPRI was able to successfully determine the age appropriateness, insurance status, and poverty status of 18,030 households. From those, 830 were identified as qualified for the survey. Completed interviews derived from this group numbered 598. A total of 155 interviewers worked 6,864 interviewing hours. This high number of hours was required to locate the relatively rare individuals meeting the criteria for the study - an effort similar to that required in the California study.

The completion rate for the screening and full survey was 44%. That is, 44% of the numbers not identified as bad resulted in a completed final interview and/or screening interview. Of those screened, 72% resulted in a completed interview.

Selected findings from the survey are detailed in the sections below. Full results can be found in Appendix D.

What are the General Statistics for Texas?

Who Are the Non-Poor Uninsured?

Because the uninsured in Texas are so great in number, little is known about the characteristics of the subgroups within the entire universe of the uninsured.

Following the lead of an earlier study done in California by the California Health Care Foundation, this study sought to focus on the non-poor uninsured.[5]
Non-poor is defined as an income level above 200% of the federal poverty level (fpl). The 200% fpl was chosen as a baseline level of income because individuals or families at or above these income levels cannot qualify for publicly funded insurance programs in the State of Texas, such as TexCare Medicaid or CHIP. The U.S. Census Bureau estimates that those with incomes above 200% fpl account for 36.5% of the total uninsured population in Texas. Furthermore, recent research has shown that nationally, approximately 30% of uninsured adults in the nation had some access to health insurance, but for reasons that are less than clear, do not have any coverage.[6]

Table 1: 2001 Federal Poverty Level (FPL) Thresholds for Households for the Contiguous States and District of Columbia[7]

Size of Family Unit	Federal Poverty Level	200 Percent of FPL
1 Person	$8,590	***$17,180***
2 People	$11,610	***$23,220***
3 People	$14,630	***$29,260***
4 People	$17,650	***$35,300***
5 People	$20,670	***$41,340***
6 People	$23,690	***$47,380***
7 People	$26,710	***$53,420***
8 People	$29,730	***$59,460***

Knowing what characteristics (both those preceding and following) are prevalent among the non-poor uninsured can be helpful in developing effective methods to expand insurance coverage among the group.[8]

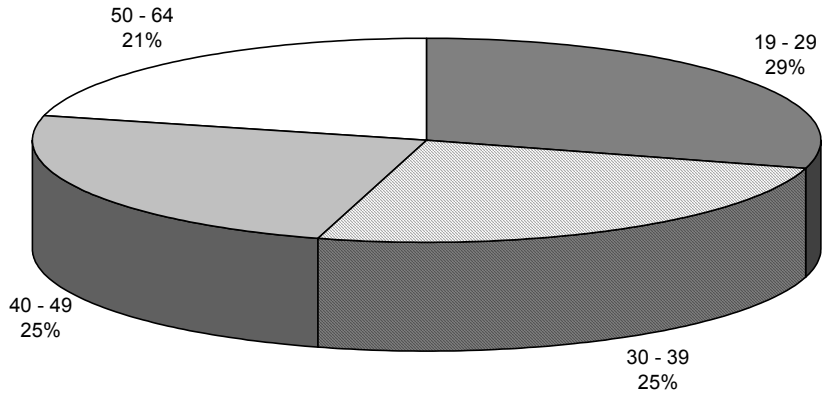
What is Their Age?

Because children under the age of 19 qualify for CHIP, the telephone survey focused only on those individuals who were over age 18. The various age groups were nearly equally represented among non-poor uninsured Texans, as shown in Figure 2. However, younger Texans (ages 19-29) constituted the plurality, representing 30% of the state's non-poor uninsured population. The high number of young people that were without health insurance could be even higher because many young people might still be covered on their parent's or

[5] California HealthCare Foundation (1999). To Buy or Not To Buy: A Profile of California's Non-Poor Uninsured. Oakland, CA: Author.
[6] Merlis, M. (2000, May). Subsidies for Employer-Sponsored Insurance. Washington, DC.
[7] Federal Register, Vol. 66, No. 33, February 16, 2001, pp. 10695-10697
[8] The margin of error throughout the report is a maximum of +/-4.1% when dealing with samples of the entire group of plotted respondents. When examining subgroups individually, the margin of error necessarily increases. However, this is mitigated when results are skewed toward one response.

guardian's health care policy. In the 77th Texas Legislative Session, HB 1440 raised the age limit for coverage of dependent children through age 24. This provision became effective on September 1, 2001. Previously, insurance companies could terminate coverage for dependent children at 19 for those not enrolled as college students and at 23 for those who were enrolled. The Texas Legislature acted to combat the high levels of the uninsured among this age group, previously estimated among all income levels to be over 40% in Texas.[9] Those in the age groups of 30-39 and 40-49 were equally represented among the non-poor uninsured at 25%. Older Texans aged 50 to 64 made up the smallest group at 21%. Those over the age of 64 were not sampled for this survey because nationally, 99.3% of those 65 and older have health insurance provided through Medicare.[10]

Figure 2: Percentage of Uninsured by Age Group



[9] Texas Legislature. *HB 1140 Bill Analysis*. (2001). [On-line] Available www.capitol.state.tx.us
[10] Health Insurance Coverage 2000. (2001). Census.

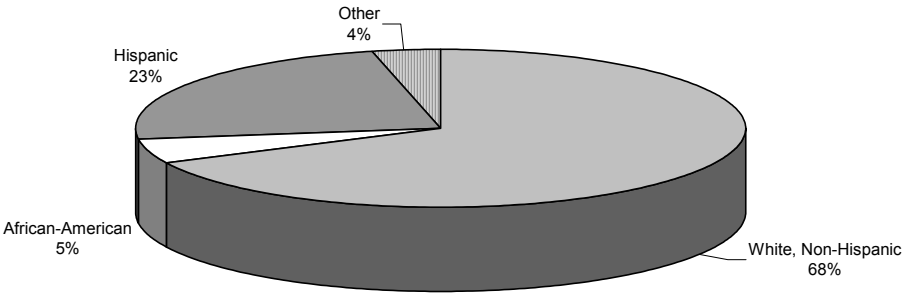
What is Their Gender?

The number of non-poor uninsured women slightly outnumbered men. As a group, 53% were women and 47% were men. However, this was an insignificant difference, and could be explained by the fact that women were more likely than men to answer their household's telephone.

What is Their Race?

When considering overall rates of the uninsured, minorities typically outnumber their white peers disproportionately. However, for the non-poor uninsured, whites compromised the overwhelming majority. Sixty-eight percent of the non-poor uninsured were white. A substantial number (23%) of the non-poor uninsured were Hispanic. African-Americans comprised 5% of the non-poor uninsured and those classified as "other" rounded out the total with 4%.

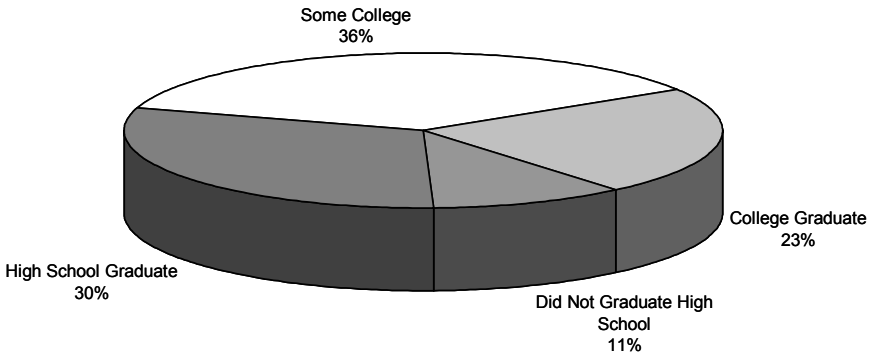
Figure 3: Percentage of Uninsured by Ethnicity



What is Their Level of Education?

Education plays a significant factor in predicting the probability of having health insurance. Among the general population, those with low educational attainment are among the most at risk for being uninsured. Because of the relatively higher income levels of the population chosen for this study, over half (59%) of the non-poor uninsured have either attended college or have a college degree. Only 11% of the respondents did not have a high school degree.

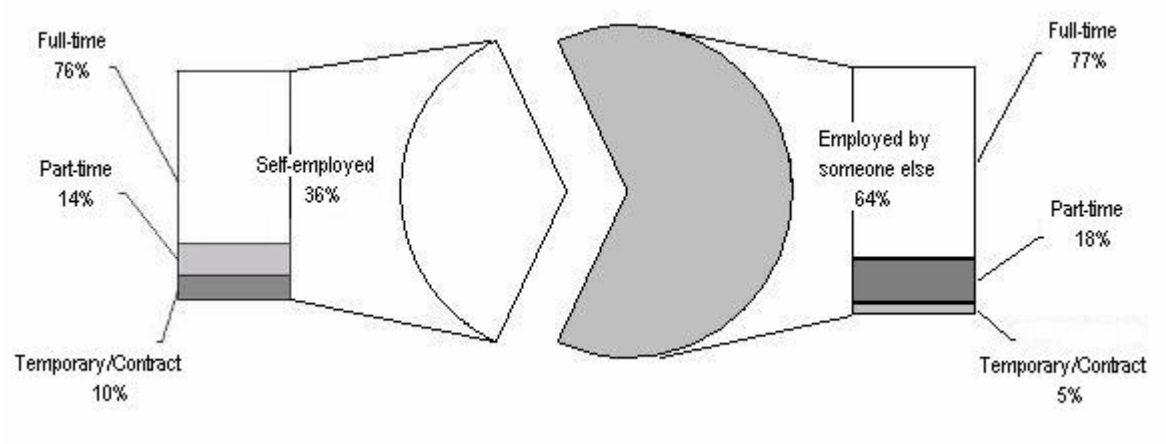
Figure 4: Educational Attainment



What is Their Work Status?

Because employer-based insurance is the most prevalent form of health insurance in the United States, there is strong connection between employment status and a person's likelihood of being uninsured. Consistent with previous research on the subject, the vast majority of the uninsured are actively employed. Only 25% of those interviewed for this study did not have jobs. Of the working non-poor uninsured, 36% were self-employed and 64% were employed by someone else. Although the proportion of the self-employed and those working for others was different, the non-poor uninsured work at similar rates with regard to their employment status. Both the self-employed (76%) and those working for someone else (77%) reported working full-time. Part-time employment status was also fairly similar where 14% of the self-employed reported working part-time and 18% of those employed by someone else reported working part-time.

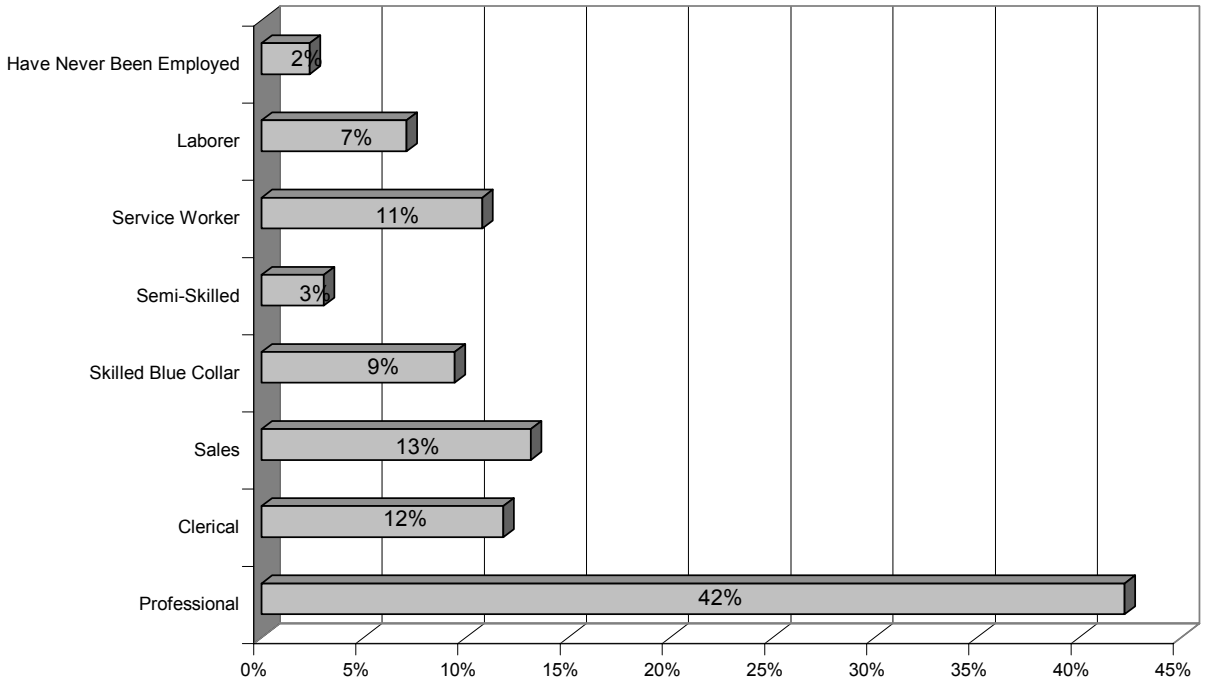
Figure 5: Employment Status by Amount of Work



In What Occupations and Industries are They Employed?

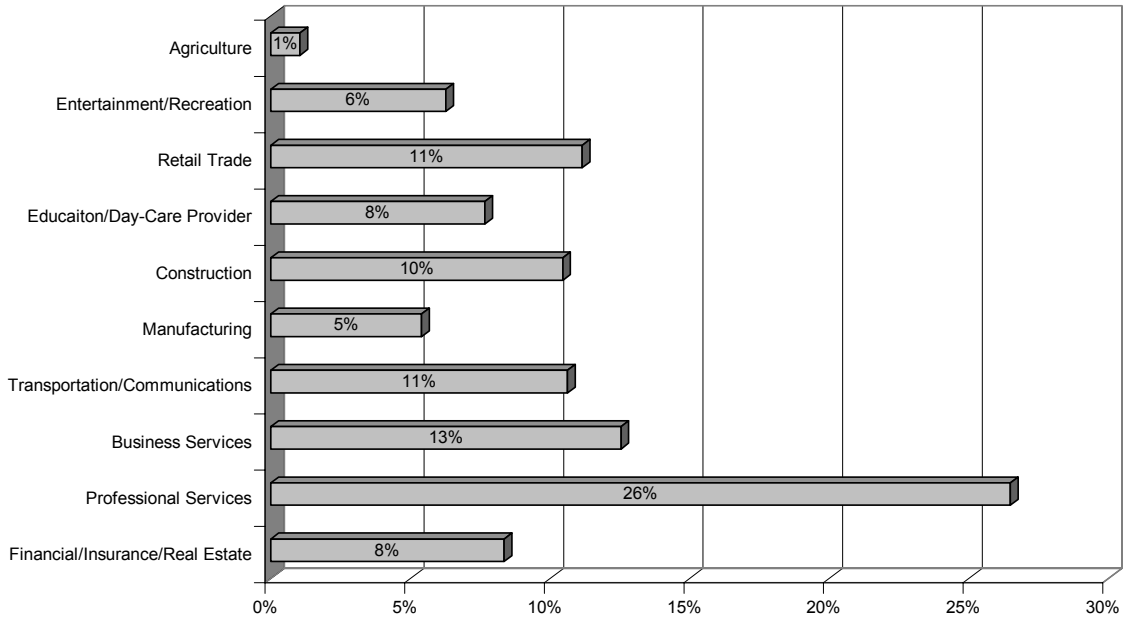
The overwhelming majority (42%) of employed individuals interviewed for this study had positions in the professional services sector. For this study, professional services were defined as positions such as managerial or executive positions and administrative or related support positions. The remainder of the employed non-poor uninsured was fairly evenly distributed among the remaining occupational categories. These included sales (13%), clerical (12%), service workers (11%), skilled blue collar workers (9%), laborers (7%), and semi-skilled workers (3%).

Figure 6: Percentage of Workers Who are Uninsured by Occupation



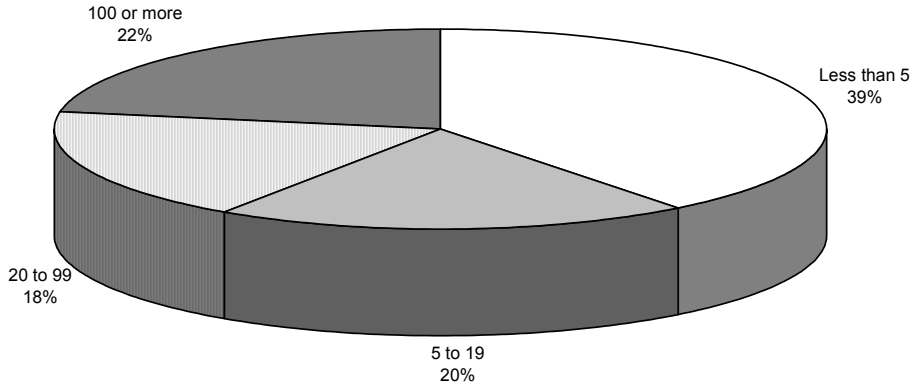
Respondents employed in industries that produce goods are less likely to be uninsured than those who work in the services sector. Those who worked in agriculture (1%) and manufacturing (5%) were represented among the non-poor uninsured at the lowest rate of all the industries. However, those in service sector positions, such as retail trade (11%), business services (13%), and professional services (26%) constituted the highest proportion of those without health insurance.

Figure 7: Percentage of Workers Who Are Uninsured by Industry



When examining the type of industry and the size of the firm in which the uninsured worked, the answers about who is uninsured became clearer. Clearly, firm size is related to a lack of health insurance in Texas. Respondents who worked for smaller firms reported higher rates of being uninsured than those who worked for larger companies. Fifty-nine percent of the non-poor uninsured work for firms with 19 or fewer employees, with the bulk of them working in firms or companies with fewer than five employees (39%).

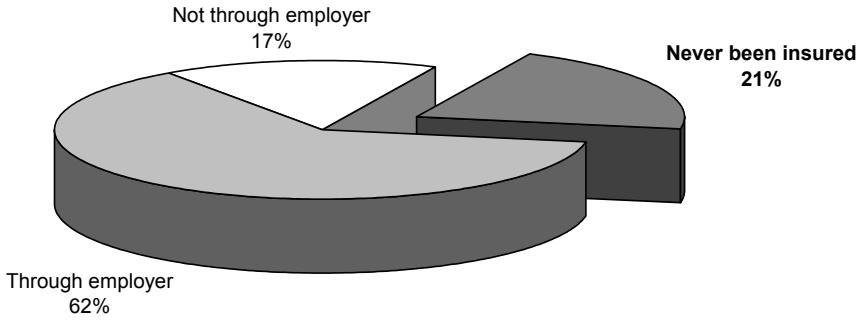
Figure 8: Percentage of Workers Who Are Uninsured by Firm Size (Number of Employees)



What is Their History with Insurance?

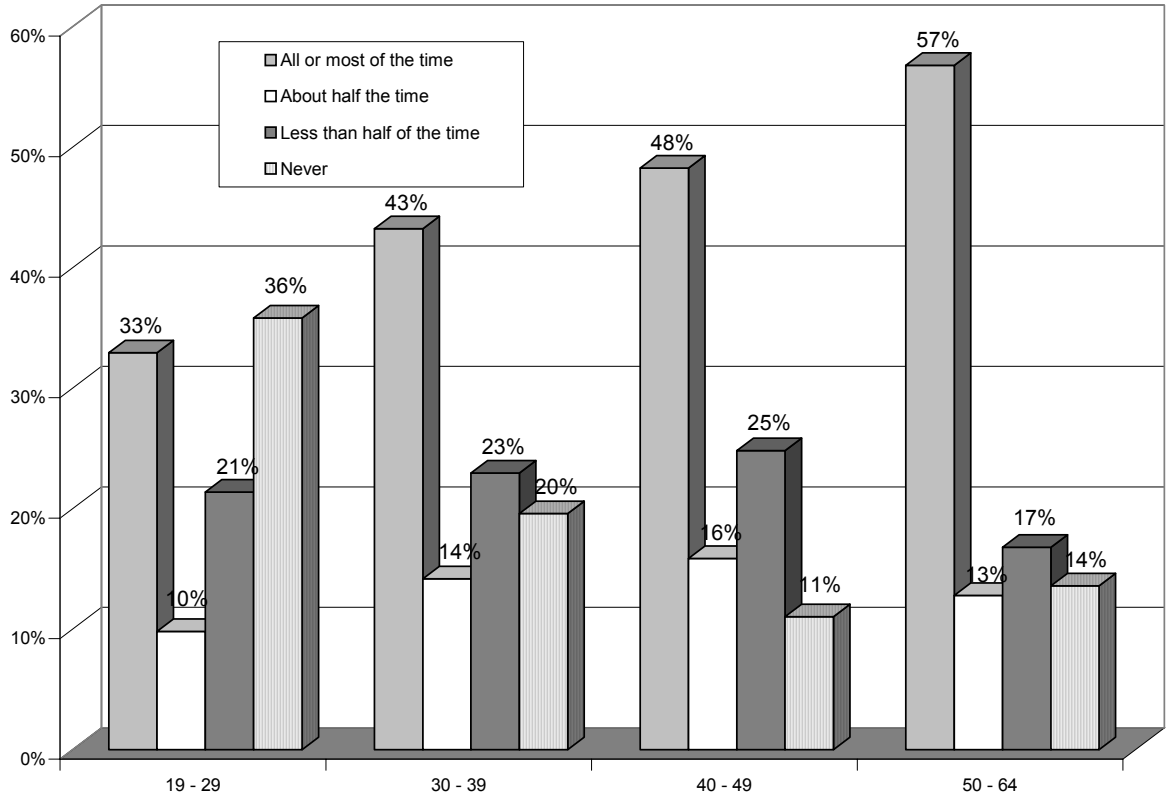
People can lose insurance coverage for a variety of reasons. There is a higher probability of being uninsured when people change jobs, become unemployed, or become sick, the result of which can mean that a person is reclassified into a higher risk group in which the premiums are unaffordable. As a result, health insurance coverage can be sporadic for many. Seventy-nine percent of survey respondents indicated that they had some type of health insurance coverage during their lifetime. However, 1 in 5 non-poor uninsured Texans had never had any sort of health insurance coverage at all.

Figure 9: Previously Insured



When examining histories with health insurance by age group, younger Texans tend to be more likely to never have obtained any sort of health insurance. Thirty-six percent of the survey respondents aged 19-29 indicated that they never had any sort of health care coverage. Older Texans were more likely to have been insured and also were also more likely to have had that insurance most of the time. Fifty seven percent of those in the oldest age group, 50-64, reported that they had health insurance coverage all or most of their lives.

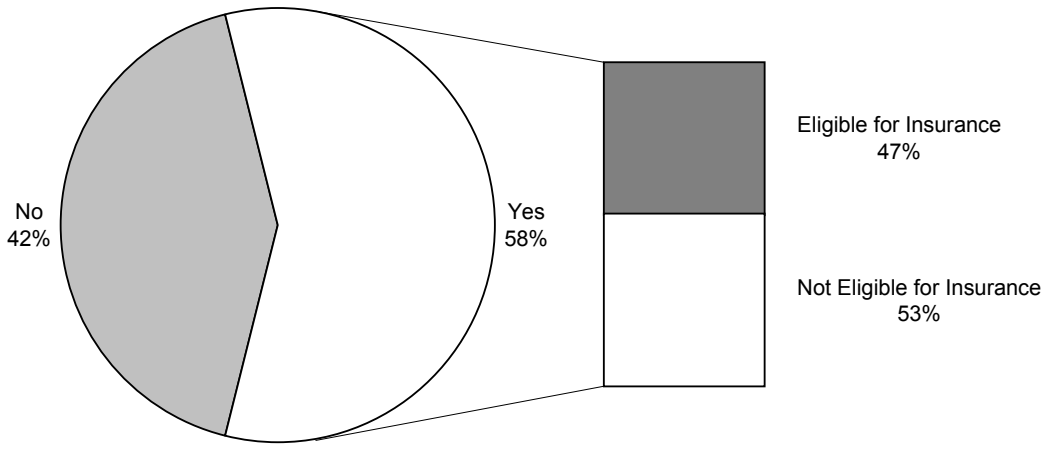
Figure 10: History with Health Insurance by Age Group



What Kind of Insurance Coverage Do They Have at Work?

Employers in the United States and Texas offer health insurance on a mostly voluntary basis. Because health insurance coverage is an expensive benefit for many companies, some do not provide health benefits to their employees. For the self-employed or owners of small businesses, not offering health benefits to employees is the norm. Only seven percent of respondents who were business owners indicated that they offered health insurance as a benefit to their employees. The 48% who worked for someone other than themselves were more likely to work for an employer that offered health insurance benefits. However, more than half of these individuals were not eligible for the health insurance offered by their employer, even though 81% were employed full-time.

Figure 11: Health Insurance Availability in the Workplace and Eligibility for Coverage



For those eligible for health insurance at their place of work, the primary reason for not having the coverage was expense. Other significant factors for not capitalizing on the insurance offered from the employer are listed in Table 2.

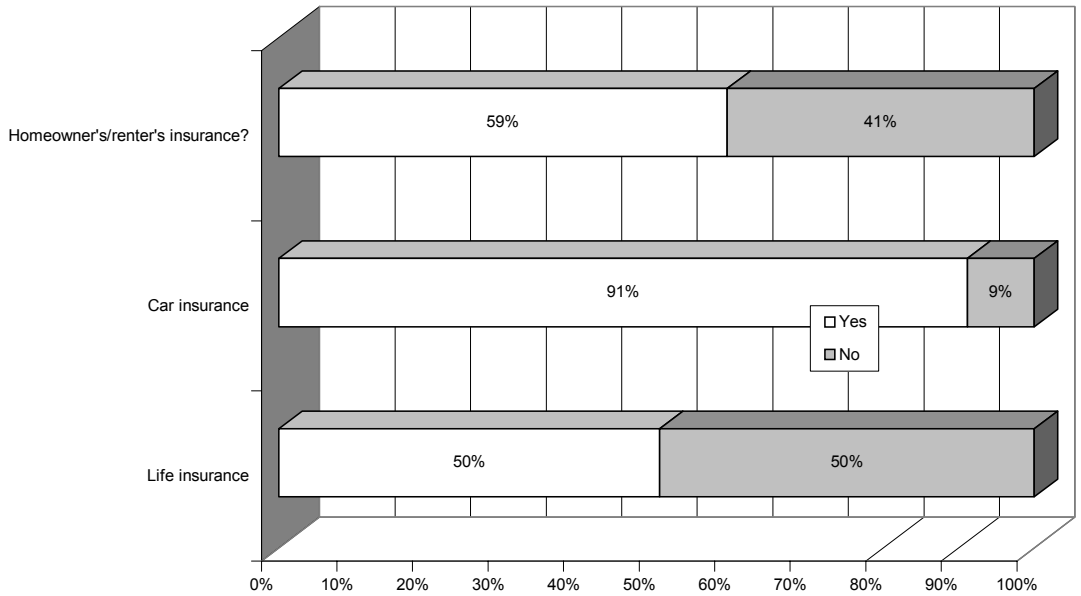
Table 2: Top Reasons for Not Taking Insurance Offered by Your Employer

Reasons	Percent
Too expensive	58%
Have not gotten around to it	13%
Did not want or need the insurance	11%
Do or did not like health plan	4%
Hope to get other insurance	4%
The plan was too difficult and time consuming	4%

What Are the Non-Poor Uninsureds' Attitudes About and Experience with Health Insurance?

The non-poor uninsured had broad experiences purchasing other types of insurance, which seemed to indicate that they had made some contact with an insurance representative or insurance agent. Ninety-one percent of respondents indicated that they had purchased car insurance. However, minimum liability insurance for an automobile is mandatory to operate a car legally in Texas. Over half of the respondents (59%) also reported having purchased homeowner's or renter's insurance, which can also be mandatory for those with a home mortgage. Among the different types of insurance, life insurance is the most discretionary purchase, and half of all respondents indicated having previously purchased life insurance. The willingness of 50% of respondents to purchase voluntary life insurance may be an indication that at least a portion of the non-poor uninsured might be more inclined to purchase health care insurance.

Figure 12: Have Personally Ever Purchased the Following Types of Insurance



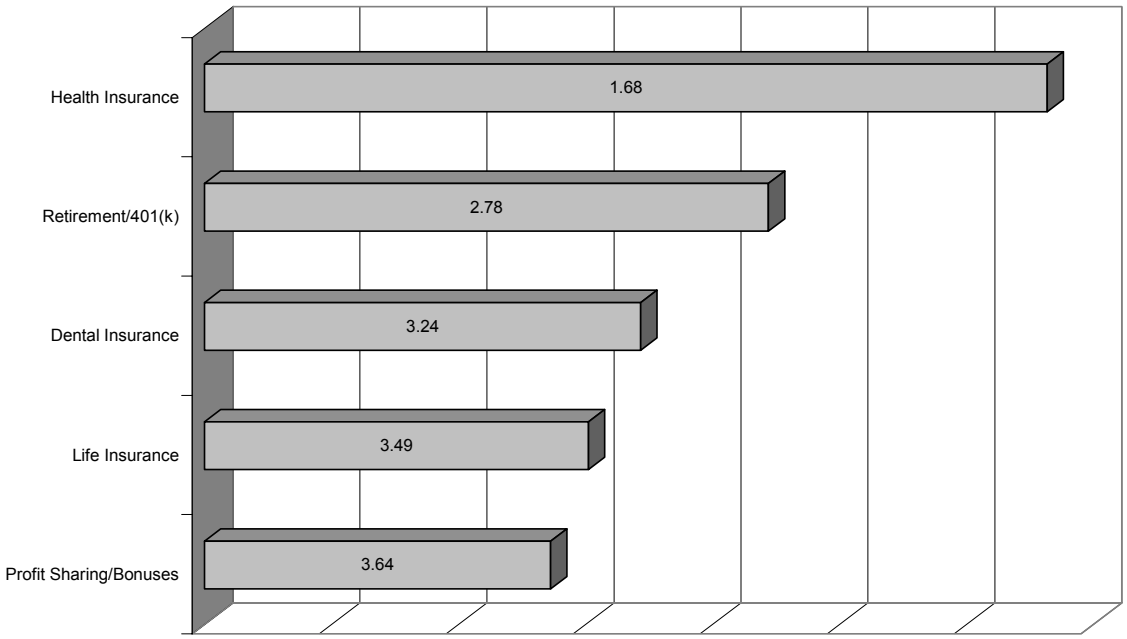
What Do They Think About Job Benefits?

Despite the fact that the non-poor interviewed for this survey did not have health insurance, as a group they believed it to be the most important job benefit they could receive. Respondents were asked to rank, in order from most important to least important, the following list of job benefits:

- Retirement/401(k) plan;
- Health insurance;
- Profit sharing and bonuses;
- Dental insurance; and
- Life insurance.

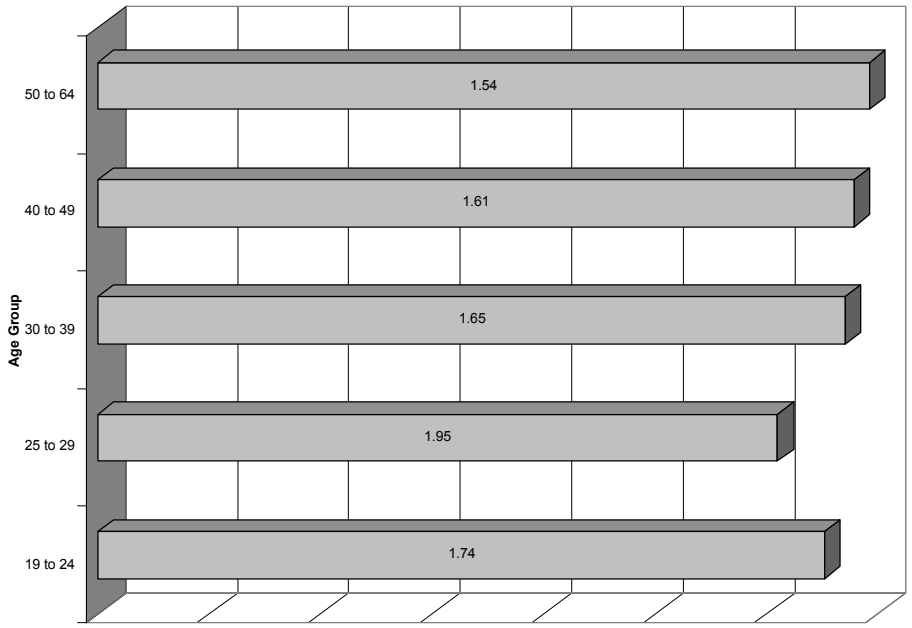
A comparison of these indicated that health insurance was clearly the most important. Retirement benefits and 401(k) plans ranked second. The importance of the remaining job benefits for the non-poor uninsured were very closely ranked. However, compensation through the form of profit sharing and bonuses was ranked last.

Figure 13: Average Rankings of Importance of Job Benefits



When the rankings of preferred job benefits were examined by age group, several interesting findings came to light. Although all age groups ranked health insurance as the most important benefit they considered when looking for or accepting a job, younger respondents tended to believe health insurance was less important than their older uninsured peers.

Figure 14: Average Rankings of Health Insurance as a Job Benefit by Age Group



Preferences also changed somewhat by age among other types of benefits. When comparing differences within each job benefit by age group, younger workers tended to rank life insurance and dental insurance as more important job benefits than did older respondents. Older respondents, who are nearing retirement age, ranked retirement benefits as more important than the younger non-poor uninsured.

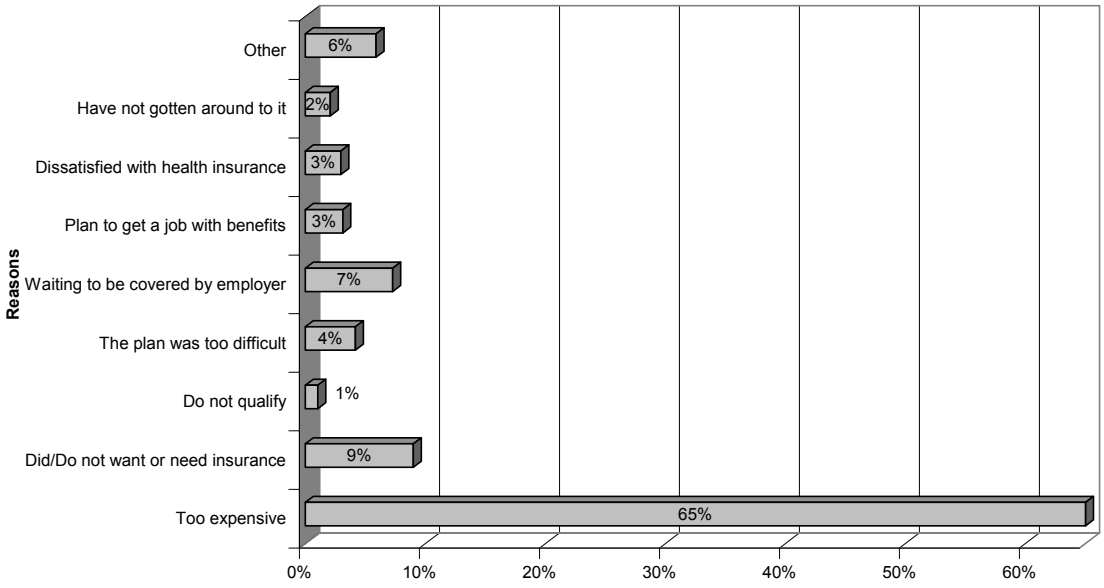
Table 3: Average Rankings of Job Benefit Importance by Age Group

Age Group	Retirement and 401(k)	Profit Sharing and Bonuses	Dental Insurance	Life Insurance
19 – 24	3.05	3.83	2.96	3.22
25 – 29	2.63	3.56	3.30	3.48
30 – 39	2.78	3.66	3.28	3.51
40 – 49	2.89	3.57	3.28	3.57
50 – 64	2.55	3.63	3.54	3.56

What Are Their Reasons for Not Purchasing Health Insurance?

Despite health insurance being the most important benefit to many of the non-poor uninsured, they also believed the costs of either purchasing insurance on their own or matching employers' contributions for insurance premiums was cost prohibitive. Sixty-five percent reported not purchasing health insurance for themselves because it was too expensive, nine percent cited that they "did not want or need the insurance", and seven percent said they "were waiting to be covered by employer".

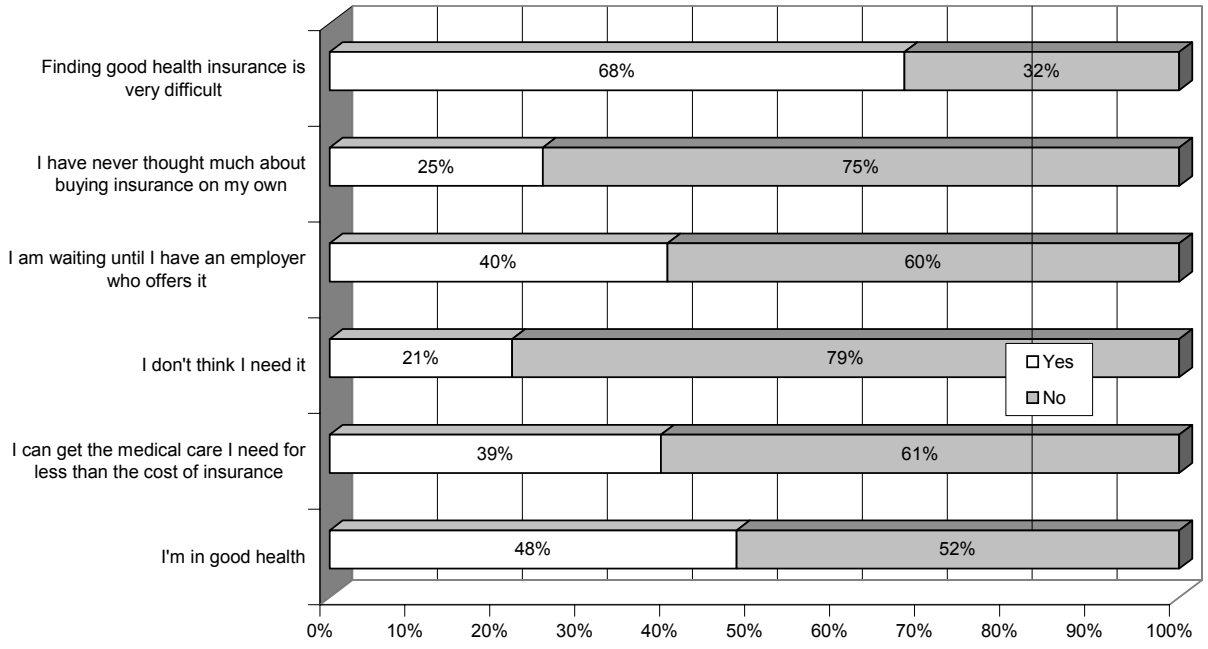
Figure 15: The Main Reason You Do Not Buy Health Insurance for Yourself



Other Than For Financial Reasons, Why Don't They Purchase Health Insurance?

Beyond the simple economics of purchasing health insurance, PPRI also asked survey respondents about other motivating factors for not purchasing health insurance. The most reason most often cited was "difficulty finding insurance (68%). Nearly half of the respondents said "I'm in good health" (48%) as their reason for not buying health insurance, while about the same percentages said they were waiting for an employer to offer health insurance (40%), or believed they could get medical care for less than the cost of insurance (39%).

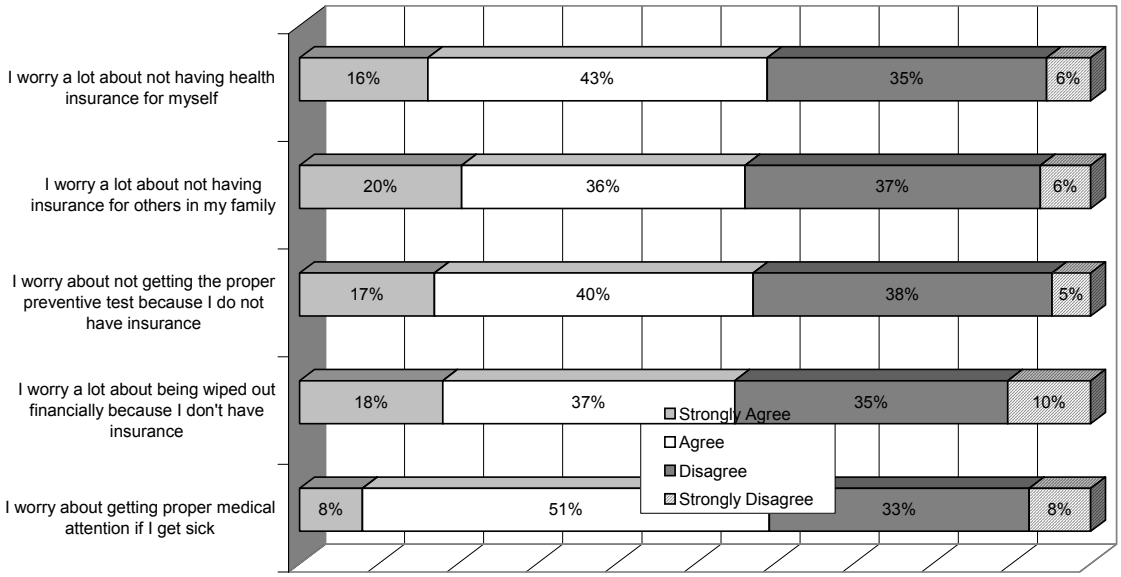
Figure 16: Other Reasons for Not Buying Health Insurance



What Concerns do They Have About Health and Health Insurance?

Despite not having health insurance, many of the non-poor uninsured indicated that they were concerned about going without it. More than half of the non-poor uninsured worried about not having health insurance for themselves (59%) or their families (56%). Lack of health insurance also seemed to inhibit access to care. Fifty-seven percent reported that they worried about not receiving proper preventive tests because of a lack of insurance. The uninsured also worried about receiving proper health care if they became ill. Well over half of the non-poor uninsured (59%) reported worrying about accessing proper medical care.

Figure 17: Non-Poor Uninsured Concerns About Health Care

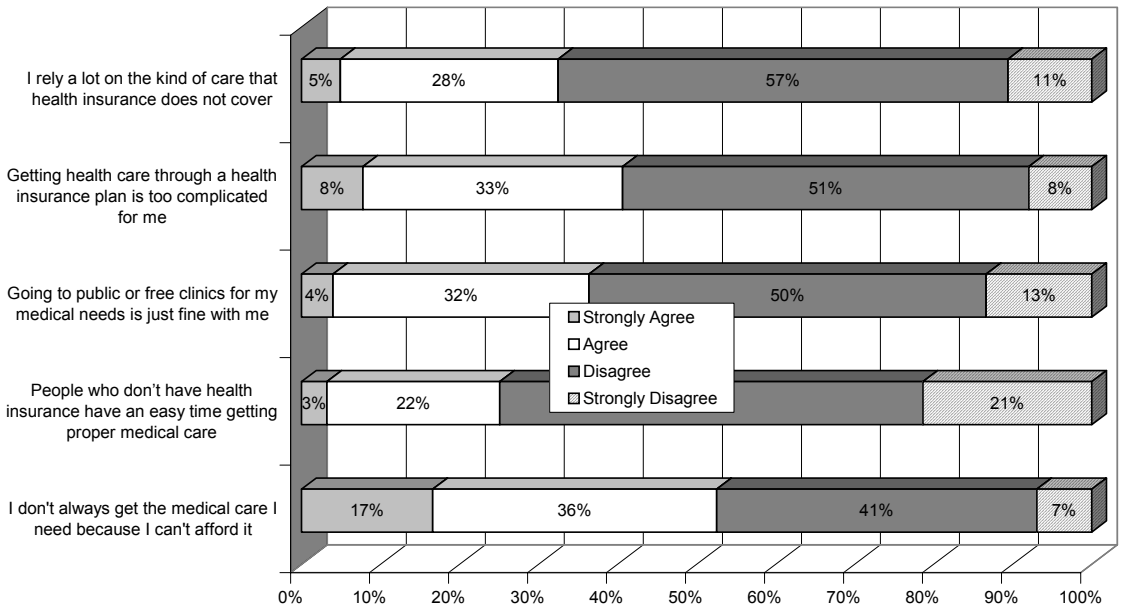


What Kind of Access to Health Care Do They Have?

Many Texans think health insurance is the key to accessing health care. However, some of the non-poor uninsured believed that health insurance was not necessarily a precursor to accessing health care. Although more of the non-poor uninsured worried a great deal about not having insurance, it was clear that approximately a quarter (25%) believed people could access proper medical care without insurance. An even greater number indicated that going to a public or free clinic was fine with them (36%).

Others expressed some frustration with health insurance plans. Forty-one percent said that health insurance plans were too complicated for them. A third of the non-poor uninsured indicated that they relied on alternative forms of care, often not covered by traditional health insurance plans. Despite the fact that the non-poor uninsured believed they could access care if they needed it, a much larger portion admitted to not always receiving the care they needed because they could not afford it (53%).

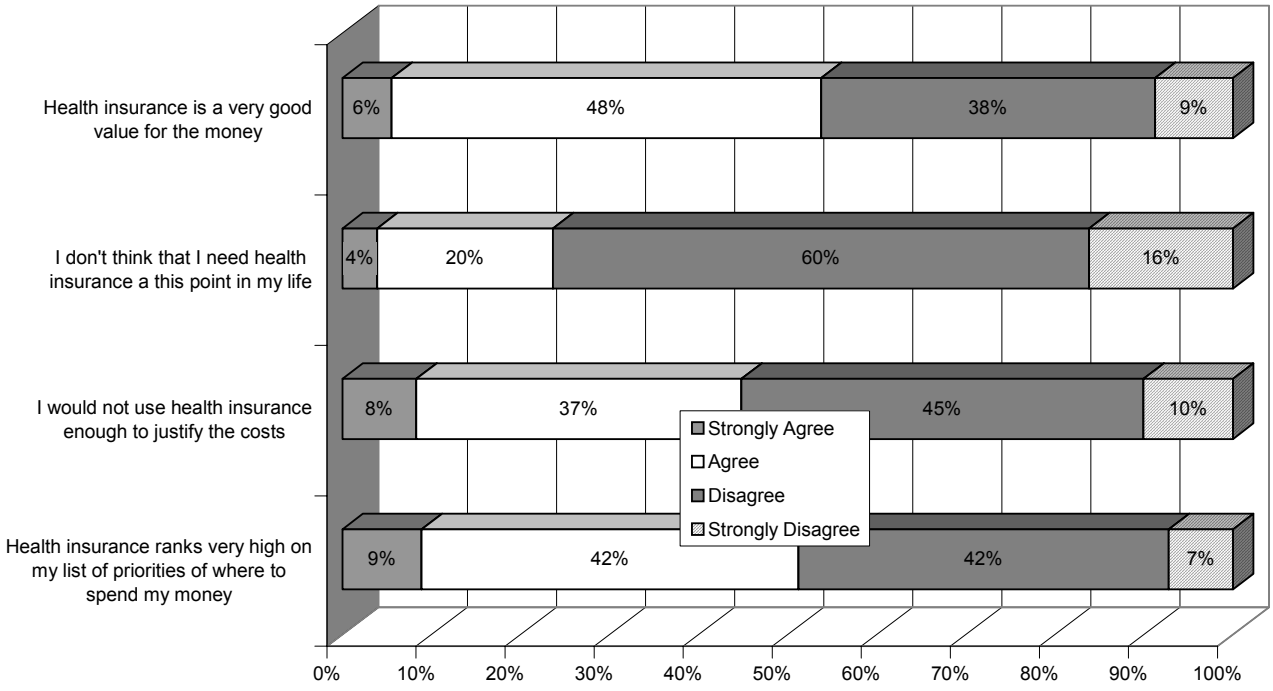
Figure 18: Non-Poor Uninsured Opinions about Access to Health Care



What Barriers Have They Encountered to Purchasing Health Insurance?

Beyond the pure economic costs of purchasing a health insurance policy, there were clearly other factors at work leading to higher uninsured rates among the non-poor. Approximately a quarter of the respondents (24%) believed that there was little likelihood of needing health insurance. Forty-five percent of respondents felt that the cost of insurance was not worth the money for benefits they could potentially receive by being covered. On the other hand, over half (54%) believed that health insurance was a good value for the money. Fifty-one percent of the respondents also reported that health insurance ranked high on their list of spending priorities.

Figure 19: Non-Poor Uninsured Barriers to Purchasing Health Insurance



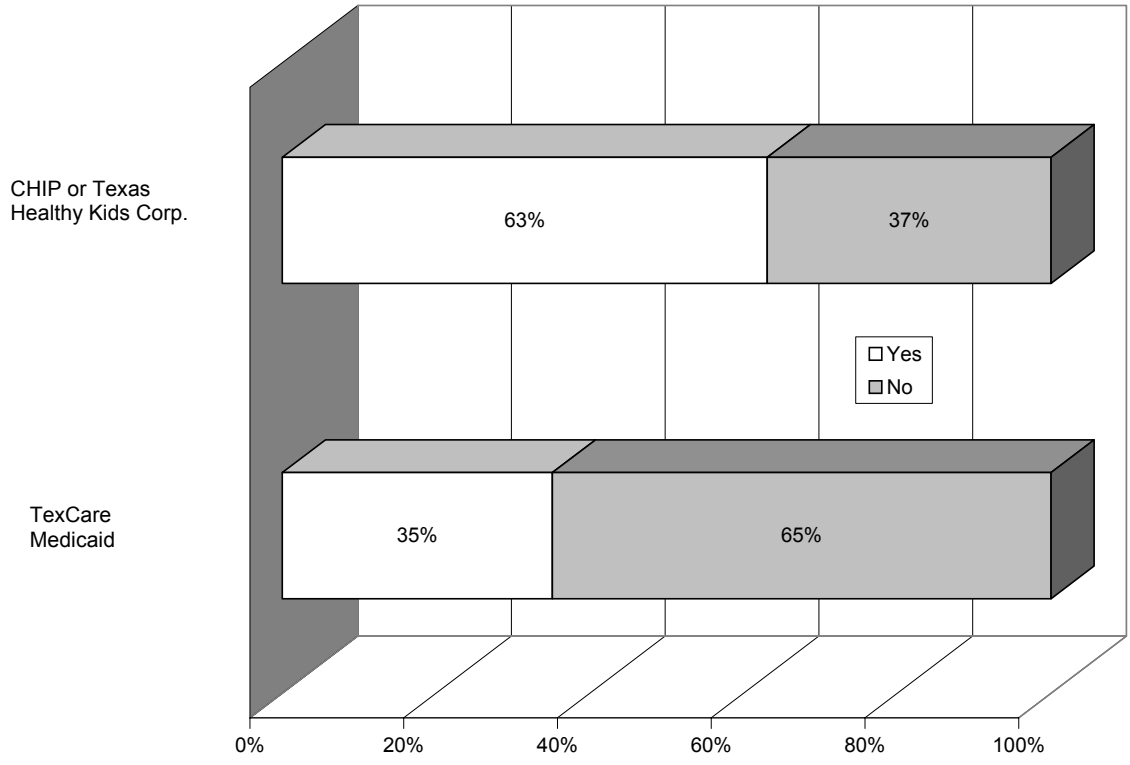
What is the Non-Poor Uninsureds' Knowledge About Public Insurance Programs

The most recent data available revealed that in 1998, 2.3 million people, or about one in eight Texans relied on Medicaid for health insurance or special long-term care services.[11] Medicaid is a jointly funded state-federal program administered by the Texas Health and Human Services Commission in Texas.

Today, the majority of uninsured children in Texas are eligible for either Medicaid or CHIP. In October 2000, the Texas Healthy Kids Corporation (THKC) began referring families with children that did not qualify for CHIP or Medicaid directly to the private health insurance companies and health maintenance organizations offering health products to children rather than continuing to enroll the children in the THKC group program.[12]

A much higher number of the respondents were aware of CHIP and THKC (63%) than they were with TexCare Medicaid (35%).

Figure 20: Previous Knowledge of CHIP or Texas Healthy Kids Corporation and TexCare Medicaid



[11] 1998 HCFA 2082. Source: Texas Health and Human Services Commission
[12] http://www.texcarepartnership.com/CHIP-THKC-Page.htm

To What Extent Have They Enrolled in Publicly Financed Programs?

Only a small fraction (11%) of the survey respondents indicated having ever attempted to enroll in TexCare Medicaid. Of those that applied for TexCare Medicaid, only 43% were enrolled. Thirty-three percent of respondents with dependent children reported trying to enroll in CHIP. Of those, over half reported enrolling in the program (55%). The reasons most commonly cited for disenrolling or losing eligibility for CHIP and TexCare Medicaid were:

- Did or do not need it;
- Did not like the insurance;
- Got coverage elsewhere; and
- Change in financial situation.

Figure 21: Have you Ever Tried to Enroll in TexCare Medicaid and Were You Then Eligible?

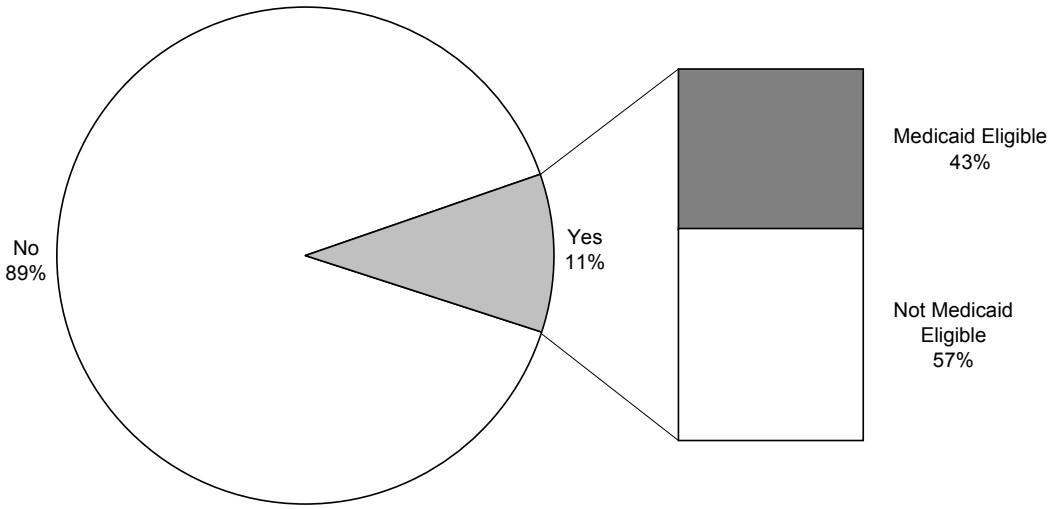
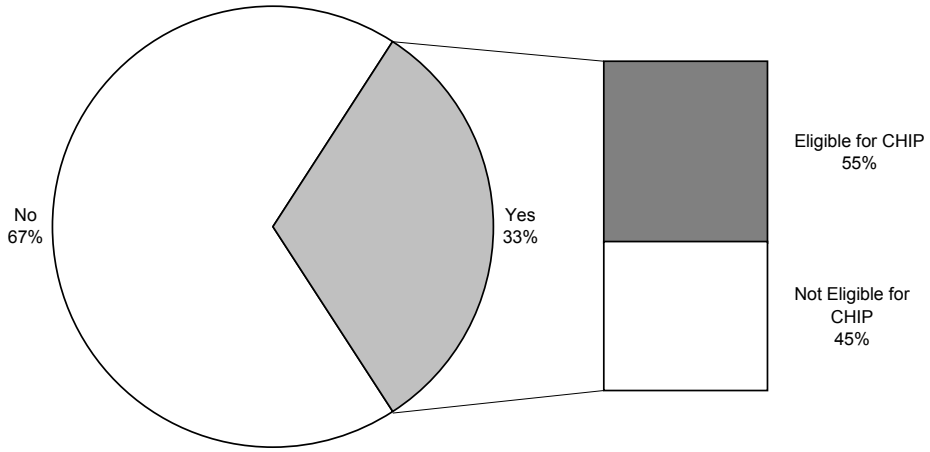


Figure 22: Have you Ever Tried to Enroll in CHIP and Were You Then Eligible?

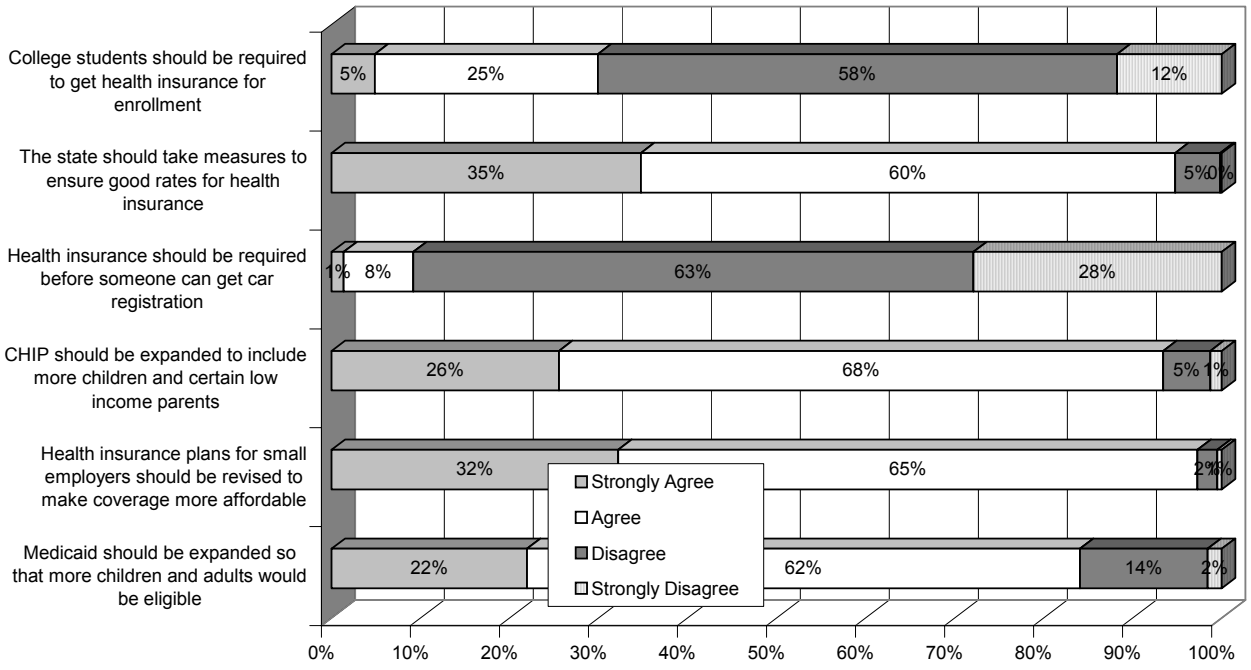


What Are Their Opinions About Public Funded Insurance Programs

When asked about potential solutions for reducing the number of uninsured Texans, the vast majority of respondents indicated wanting more government involvement. With the recent success stories of CHIP becoming more prevalent around the state, a resounding 94% of the non-poor uninsured indicated that CHIP should be expanded to include more children and certain low-income parents. Although not as strong, respondents also had similar feelings about Medicaid, where 84% of the respondents said an expansion of TexCare Medicaid to include more children and adults would improve their access to health insurance.

The survey questions regarding suggestions about ways to improve or increase insurance levels in the state were not limited to expansion of current government programs such as CHIP and TexCare Medicaid. Respondents also indicated wanting the state to take measures to ensure "good" insurance rates for health insurance (95%). They also suggested some revision to health insurance plans for small employers to make coverage more affordable (97%). The majority of respondents did not support a mandate requiring Texans to purchase health insurance; only a few (9%) thought that demonstration of health insurance should be a requirement before someone could obtain their car registration and 30% thought health insurance should be required for college enrollment.

Figure 23: Non-Poor Uninsured Opinions About Improving Access to Health Insurance



Segment Analysis of the Non-Poor Uninsured

Explaining why non-poor uninsured people did not buy health insurance was much more complicated than simply saying, "it costs too much". Although at first glance, the responses to the telephone survey questions (questions B12, B18, D4, and D13) indicate this to be the most cited and salient reason. However, if one were to reduce insurance costs (even to zero) one would most likely find that there would *still* be those individuals who had no health insurance. Therefore, it could be misleading to draw conclusions and make policy based on raw response rates to questions asked in the survey. Recognition of this fact indicates a more refined examination of the questions is required.

In order to determine the reasons people did not purchase health insurance, PPRI looked to the related analysis of non-poor uninsured people conducted by the California Health Care Foundation and the Field Research Corporation (mentioned earlier). Based on the concept found in the California report, PPRI developed a similar analysis using two factors: (1) ability to pay for health insurance and (2) motivation to buy it. These two factors are consistent with the basic components of any purchasing decision and serve as the backbone of basic marketing research.

By correlating these two factors with each other, a distinct picture of four groups of non-poor uninsured people emerged. For ease of identification, PPRI has named these groups as follows:

- *The Prepared*: People who have the money to buy health insurance and are willing and motivated to purchase it, but could not get it;

- *The Reluctant*: People who have the money to buy health insurance, but are not inclined to do so;

- *The Complacent*: People who do not have the means to purchase health insurance, and would not buy it even if they had the money; and

- *The Hindered*: People who want to buy insurance, but do not have the money to do so.

Analysis of these four groups revealed that they were different from each other not only demographically, but also attitudinally. Such distinctions could become vitally important to recognize and understand when developing methods to increase the number of insured Texans because they appear to indicate that no one single solution will compel all people to join the ranks of the insured.

What Methodology Was Used to Develop The Scales?

Two scales were developed based on questions asked in the telephone survey: (1) ability to pay and (2) motivation to buy. Each scale had a range of –1 to 1 representing low ability to pay/low motivation to buy and high ability to pay/high motivation to buy, respectively. The two scales were developed on the basis of answers to questions listed in Appendix E. Answers were assigned a numerical value which indicated where on the scale such a response would fall (equal numerical distance was assigned between categories). To this end, answers to questions with two categories were assigned a -1 or 1; questions with four categories were assigned a –1, –0.33333, 0.33333, or 1; questions with five categories were assigned a –1, –0.5, 0, 0.5, or 1. All values applicable to each scale were then averaged to ascertain a number, which placed each respondent on the respective scale (questions to which the respondent did not provide an answer were not included in the calculations).

Naturally, this method was not perfect. Questions with fewer categories, and thus wider ranges between numerical values assigned to responses, would naturally weigh heavier when averaging all of the questions together. However, this method offered several distinct advantages. As the reader can note, a battery of questions was used to determine a respondent's place on each scale. This would tend to mitigate the problem noted above as well as enhance the internal validity of the final average. The more questions considered, the less likely any one question would unduly affect the average.

What Do the Groups Look Like?

In painting a picture of the four groups, two general categories were considered - demographics and histories and attitudes. The demographic category includes gender, age, ethnicity, health, employment status, etc.; while the history and attitudes category refers to insurance in general and health insurance in particular as well as an explanation of attitudes. The pictures that emerged from the analysis are detailed below.

The Prepared

Those who could afford insurance, wanted insurance, but did not purchase it for some other reason

The Prepared constituted 28.3% of non-poor uninsured in the State of Texas. This group had an even gender split between men and women and was the oldest of the four groups. They were unlikely to be the sole person in their household and were likely to have dependant children at a higher rate than the other groups. A majority of *The Prepared* lived in large urban areas. Further, this group had the fewest Hispanics among its ranks (however, the number of

Hispanics was comparable to the number in *The Hindered* group). The health among members of this group was the poorest of all groups and these people were the most likely to have been denied insurance coverage for medical reasons.

Employment in professional service and financial/insurance/real estate industries constituted a relatively large proportion of employees among *The Prepared* but the group also had the highest percentage of blue-collar workers. It also had the lowest representation in the retail trade industry. More people in this group than the others were "not employed" and a high proportion were self-employed. This group had the highest percentage of people who worked full time. It also had the fewest who worked part-time. *The Prepared* either worked for small employers or very large employers.

Attitudes toward insurance in general were favorable as demonstrated by the fact that nearly all of *The Prepared* had bought car insurance in the past. This was the highest rate of any group. Additionally, a large majority had owned health insurance before, and most had it for most of their lives (more than any other group).

This group was the least likely to have turned down a job that offered health insurance in favor of one that did not. The group also placed the least weight on all other benefits that might be offered by employers. *The Prepared* were the most motivated about seeking insurance and had more people who sought it on their own than any other group.

Cited among the reasons as to why they did not have health insurance, this group, more often than any other, thought insurance policies were difficult, confusing, and time consuming to purchase (a rate similar to *The Reluctant* group). Having good health was cited relatively infrequently as a reason why the individuals in *The Prepared* group did not have health insurance. Finally, people among *The Prepared* were relatively disagreeable to the notion that people with no health insurance had an easy time getting care and were the least accepting of visiting public or free clinics for their medical care.

The Reluctant

Those who could afford health insurance but did not want it

The Reluctant constituted 16.2% of non-poor uninsured in the State of Texas. This group was composed of more men than any other group, had the highest percentage of young people, and the fewest people over fifty. *The Reluctant* group had a comparatively high percentage of people who were the sole person in their household and were the least likely to have minor dependants. Hispanics

made up a higher percentage of *The Reluctant* than they did in any other group. This group was also the most urban of the four. The health of this group was the best of all four, with the fewest having ever been denied insurance coverage for medical reasons.

There were more professionals in this group, and fewer blue-collar workers than in other groups. Industries were more varying in this group, but it had the fewest involved in manufacturing. A significant majority worked full time and relatively few worked part time jobs. Members of this group were the second most likely to work for large employers.

Perhaps most telling about this group was their attitude toward insurance in general. A relatively high proportion of members of this group had never had health insurance and, along with *The Complacent,* purchased car insurance (mandated by state law) at the lowest rate of the four groups. This group was the least motivated in finding insurance on their own, and few had ever tried. They were among the most likely to have turned down jobs that offered health insurance in favor of one that did not. *The Reluctant* ranked benefits other than health insurance the highest of the four groups.

People in this group were the least likely to cite cost as the main reason as to why they did not have health insurance and were the most likely to believe that they did not need it. They referred to their good health more than any group as a reason for not having bought health insurance. *The Reluctant* were the second most likely to think that people with no insurance had an easy time obtaining medical care and were the most accepting of visiting public clinics to receive their care.

The Complacent

Those people who cannot afford health insurance but want it

The Complacent constituted 19.4% of non-poor uninsured in the State of Texas. They were evenly divided between men and women and were the youngest of the four groups, having relatively few people over 50 years of age. They were the most likely to be the sole person in their household and had relatively few minor dependants. Hispanics were second most likely to appear in this group compared to the other groups. *The Complacent* were the least likely to live in large urban areas and the most likely to live in suburban areas. They were the second healthiest group, having been infrequently denied coverage for medical reasons.

Professionals were represented in this group at a lesser rate than the other groups, with salespeople composing more of *The Complacent* than any other group. They were the least likely, along with *The Hindered*, to be in a

professional industry and the most likely to be in retail trade. The manufacturing industry was represented more in this group and *The Hindered* than the other groups. *The Complacent* had among their ranks the fewest self-employed people and a relatively large portion of "not employed" people. They were the second most likely to work part-time and the least likely to work for very small employers (fewer than five employees).

Members of this group were the least likely to have ever had health insurance and had purchased (mandatory) car insurance at the same relatively low rate as *The Reluctant*. They were also almost as unmotivated as *The Reluctant* to get health insurance, and few had ever tried. This group was the most likely to have turned down a job that offered health insurance in favor of one that did, leaning toward other benefits.

Cost was cited at a comparatively high rate as the main reason for not purchasing health insurance, with a significant portion also citing no need for it. People among *The Complacent* believed with the most frequency of all groups that people with no health insurance had an easy time getting care and were relatively acceptant of receiving their care at public clinics.

The Hindered

Those who cannot afford insurance but want it

The Hindered constituted 36.1% of non-poor uninsured in the State of Texas. The vast majority of this group was female and over 40 years of age. Along with *The Prepared*, Hispanics were least likely to be present in this group. The fewest people of any group were the sole person in their household, and this group was the most likely to have minor dependants. The health of people in this group was the second worst of all the groups, and they were the second most likely to have been denied insurance coverage for medical reasons.

Employment among *The Hindered* was disproportionately outside of the professional occupations and professional industries. Manufacturing industries were represented at the highest rate of the four groups (comparable to the rate of *The Complacent*). The fewest people of any group were full time workers. However, contract labor was represented to the highest degree in this group. A significant majority (more than the other groups) worked for small employers.

Attitudes toward insurance were among the most accepting of any group. More people had previously owned health insurance among *The Hindered* than any other group and a significant number had owned it most of their lives. They bought car insurance at nearly the same high rate as *The Prepared* and had similarly sought health insurance on their own. They rarely accept jobs that did

not have health insurance over ones that did and ranked other benefits comparatively lower than the other groups.

People in this group cited cost at the highest rate as the main reason they did not have health insurance. They were the least likely to believe that they did not need medical insurance and that people without health insurance had an easy time receiving medical care.

The chart below includes summary information about these four groups.

Ability To Purchase		
>>> High >>>	**RELUCTANT: 16.2%** • Majority Male • Disproportionately Young • Unlikely to Have Dependants • Urban • Good Health • Professionals; Few Blue-Collar Workers • Have Never had Health Insurance • Prefer Other Benefits to Health Insurance • Say They Don't Need Health Insurance	**PREPARED: 28.3%** • Males and Females • Oldest Group • Have Dependant Children • Urban • Poorest Health • Professional and Blue-Collar Workers • Many are "Not Employed" • Most have Previously Owned Health Insurance • Seek Health Insurance on Their Own • Cite Confusion or Other Barriers
<<< Low <<<	**COMPLACENT: 19.4%** • Men and Women • Youngest Group • Less Likely to Have Dependants • Sub-Urban • Second Healthiest Group • Retail Trade, Manufacturing; Few Professionals • Most Unlikely to Have Ever Owned Health Insurance • Prefer Other Benefits to Health Insurance • Cost is a Major Barrier • Acceptant of Free Clinics	**HINDERED: 36.1%** • Female • Over 40 Years Old • Most Likely to Have Dependants • Relatively Bad Health • Manufacturing, Contract-Labor • Small Employers • Have Previously Owned Health Insurance • Cost is a Major Barrier • Do Not Like Public Clinics
	<<< Low <<< **Motivation to Buy** **>>> High >>>**	

How Can the Categories be Used?

It is important to remember that the relative size of each group represented by those individuals involved in the telephone survey only represents the *non-poor* uninsured. When the general population of uninsured people is considered, the ranks of *The Complacent* and *The Hindered* are likely to grow substantially. However, the concept of "groups" created by dividing the population on the "Ability to Pay" and "Motivation to Buy" scales would still apply, as would the relative general characteristics of each group.

Policy Considerations and Implications

Extending health insurance coverage to the millions of Texans who lack it is an important policy and health objective. On the surface, the concept of increasing access to health insurance seems a simple one, but the findings of this report suggest that implementation may pose many vexing questions and complex challenges. With a large and diverse population, no single approach is likely to address the needs of the 4.8 million uninsured Texans.

The "group" concept from marketing research that was introduced earlier provides a means to understand which Texans do not have health insurance and why they do not have it. This idea was first discussed in conjunction with the description of individuals represented at the focus groups. The groups were then formally reintroduced in the segment analysis associated with the telephone survey. These groupings can be an especially useful tool for thinking about policy. The characteristics of the individuals in each group can provide insights about different types of uninsured Texans. In turn, these insights can be used to develop policy strategies that will result in the most desired effects for the least possible cost.

Examples of how the groups could be used in this manner are presented below. In these examples the general characteristics of each group, as identified through the telephone survey segment analysis, have been combined with seemingly appropriate issues and suggestions identified by focus group participants and some of the telephone survey responses. Additionally, four policy alternatives, including possible pros and cons of each, have been offered for consideration.

Targeting the Quadrants

The Prepared

Individuals in *The Prepared* group want health insurance and can afford it, but have not been able to obtain it. Information from the focus groups identifies two reasons individuals who could afford insurance did not have it. The first is that these individuals are denied coverage, almost always because of pre-existing conditions. The second is that these individuals do not understand how to obtain coverage. In addition to information from the focus groups, these two reasons are born out in some of the responses from the telephone survey. Therefore, it appears that the strategies that will have the greatest success in securing health insurance for *The Prepared* are those that address rules and regulations regarding pre-existing conditions and those related to creation, access and dissemination of information about health insurance.

The Reluctant

Individuals in *The Reluctant* group can also afford health insurance, but they do not want it. These individuals were probably not present at the focus groups because health insurance was not one of their priorities. Marketing research tells us that one way to convince a person to acquire something they do not value is to change that person's mind. Information from the focus groups indicates that many Texans do not understand the importance of health insurance. The telephone survey confirmed that this is especially true of individuals who are young and healthy (as are those in *The Reluctant* group). Therefore, one strategy that might influence *The Reluctant* is an intense educational campaign about the consequences of not having health insurance and personal benefits that might derive from it.

The Complacent

Individuals in *The Complacent* group cannot afford health insurance. However, they do not see this as a problem because they do not want it. Not only would *The Complacent* have to be convinced that health insurance is important, but once they were convinced they would have to receive some type of assistance in order to obtain it. At first blush this seems an overwhelming task. However, by looking at the situation from a slightly different perspective, it becomes apparent that one expedient way for individuals in this group to get health insurance is for someone to give it to them. This situation often occurs in the workplace. Employees receive benefits from their employers (including some they would not seek out on their own) as a part of their employment package. The intense educational campaign designed to attract *The Reluctant*, combined with the ground-level information designed for *The Prepared* would both be appropriate here. In addition, any programs designed for *The Hindered* would most likely attract some members of this group.

The Hindered

Individuals in *The Hindered* group would like to have health insurance but cannot afford it. These individuals probably constituted the majority of those present at the focus groups. They understand the need for insurance and have suffered the consequences of not having it. They are motivated, they are ready, but they have no means to accomplish their objective. All of the suggestions from the focus groups would be of benefit to the individuals in this group, including new programs, the expansion of existing programs, and the revision and stricter enforcement of health insurance regulations. In addition, this group would benefit from educational campaigns explaining health insurance options and how to obtain the best health insurance for the money.

Alternative Strategies

Before implementing any strategy for increasing the number of individuals who have health insurance, the positive and negative consequences of that strategy must be considered. For example, strategies that cost the least may also attract the fewest people or be the slowest to show an impact and strategies that have the quickest impact may overload the insurance system with those individuals who may be the most in need of insurance and the most expensive to serve. Therefore, it is important to understand the implications associated with policy alternatives. The sections below provide an examination of four possible scenarios for decreasing the ranks of the uninsured in Texas - (1) attracting the healthiest first, (2) attracting the poorest first, (3) attracting those who want (and need) it the most first, and (4) attracting those most likely to afford it first.

Healthiest First

Health insurance pools are about sharing risk to protect families and individuals from large financial losses associated primarily with random events. Policy makers, particularly those concerned with the cost implications of providing health insurance to the previously uninsured, are typically concerned about asymmetrical or adverse selection where those who have the greatest immediate need for health insurance are the most likely to enroll. Without the benefit of a symmetrical population of many consumers participating in the risk pool and offsetting the costs of the smaller and sicker populations, insurance costs can quickly become prohibitively expensive.

Because the healthiest are most often the lowest utilizers of health care, adding the healthiest people to the health insurance risk pool first can control runaway costs. The healthy, low utilizers of health care services will build the pool, making it stronger and more symmetrical.

This strategy would target the four groups in the following sequence:

The Reluctant *The Complacent* *The Hindered* *The Prepared*

PROS

- ✓ *The Reluctant* and *The Complacent* are among the healthiest of the four groups. Because they are most likely to be young and healthy, having them enter the risk pool first could potentially keep insurance costs from spiking. Further, health benefits for this previously uninsured group could provide them and their families with protection from the financial losses that can accompany unexpected illness or injury, thus preventing increased policy problems in the future.

✓ *The Reluctant* are among the smallest group of the uninsured. Extending or assisting with health insurance for this group would allow policy makers to implement a program more slowly and/or to pilot test and evaluate a program before expanding to a larger scale.

✓ Initially this strategy requires the least amount of government intervention and regulation. Effective strategies to encourage *The Reluctant* and *The Complacent* might target educational campaigns to raise the level of awareness and the importance of having health insurance.

CONS

✗ The healthiest people are also the least motivated to purchase health insurance. Therefore, educating and inducing *The Reluctant* and *The Complacent* to purchase it on their own might be a formidable task. These groups prefer other job benefits to health insurance and many believe they do not need the insurance. Particularly for *The Complacent*, cost is a major barrier to purchasing health insurance so strategies to expand coverage for them may have to include heavy subsidies and/or enticements to counter both their financial and attitudinal dispositions.

✗ If this strategy and proposed sequence are followed, *The Prepared* and *The Hindered* (the groups with the most pressing health needs) will be the last to receive assistance. Not only do *The Prepared* and *The Hindered* appear to have more pressing health needs than either *The Reluctant* or *The Complacent*, but *The Prepared* and *The Hindered* also comprise nearly twice as many of the uninsured (64%) as do *The Reluctant* or *The Complacent* (36%). Therefore, this strategy will be one of the slowest ways to reach the greatest number of uninsured.

Poorest First

The cost of obtaining health insurance cannot be underestimated as a barrier to access. For those with the least ability to afford health insurance, any effort or program must address these high costs. With limited incomes and opportunities to receive employer-based health insurance, the poor and near-poor uninsured have few options that do not include some form of government assistance.

Health insurance is becoming increasingly more expensive and the medical inflation rate continues to outpace the core rate of inflation[13]. As costs for health

13 Center for Economic Policy and Research (1999).

care continue to rise, thus pushing up health insurance costs, the gap between the amount of money consumers have to apply toward health insurance and the price for health insurance will continue to grow. The result will put health insurance further out of reach for those who cannot qualify for publicly funded health insurance programs such as TexCare Medicaid and/or CHIP. Assisting the poor first would require little, if any, changes in the Texas Insurance Code regarding pre-existing conditions, but most likely would require government subsidies.

A strategy that targets the poorest first could deal with the groups in the following sequence;

The Hindered *The Complacent* *The Reluctant* *The Prepared*

PROS

✓ This strategy helps the majority of those without insurance quickly. *The Hindered* make up the single largest segment (36%) of the uninsured. Individuals who fall into *The Hindered* group express high levels of motivation to have health insurance, but cost is the single most important factor that prevents them from purchasing it. Individuals in this group may be likely to acquire health insurance if they have some financial assistance to do so.

✓ There is the likelihood that *The Hindered* would immediately secure health insurance if it became available to them. This would occur because of their pent-up demand for health services. Some of *The Hindered* report being in poor health or needing some medical attention, but their conditions are often not severe enough to lead to a denial of coverage by a health insurance company. After some initial high utilization to satisfy pent-up demand, these rates would most-likely stabilize. The high number of individuals in this group (especially when combined with *The Complacent*) could strengthen the risk pool and limit asymmetrical or adverse selection.

CONS

✗ The most obvious and prevalent reason for lack of health insurance among the poorest of the uninsured is cost. Even if employers and individuals were able to freeze insurance and medical costs today, the poorest of the uninsured would remain unable to purchase health insurance for themselves and/or their families. With a demonstrated inability to pay for health insurance these groups will need government subsidies.

- ✗ In the second phase of the strategy (*The Complacent)* the rate at which the numbers of uninsured would diminish could slow down. Even though this group finds insurance out of their reach because of costs, *The Complacent* are rather healthy and feel they do not need health insurance. When they do need health care, they have little qualms about accessing free clinics.

- ✗ This approach also does little at first to assist those most in need - *The Prepared*. Despite their willingness and desire to obtain health insurance, *The Prepared* have the worst health of any of the groups. The poor health conditions of *The Prepared* often cause insurers to refuse them coverage and those who could obtain coverage would be forced into the highest risk rating in the Texas Health Insurance Risk Pool (THIRP).

Most Motivated First

Science tells us that energy travels the easiest route. A strategy for reducing the number of uninsured in Texas can work along this same principle by capitalizing on the energy levels of the four groups, specifically their motivation to obtain health insurance. Each of the groups fit along a continuum that runs from those who care a great deal about having health insurance to those who are indifferent about having it. Thus, working and assisting those who most desire health insurance may bear the most fruitful results.

The Prepared group exhibits the greatest desire to obtain health insurance and also the greatest ability to pay for the coverage. *The Prepared* are also the most likely to be denied coverage by an insurance company because of a serious illness. Evidence from the focus groups suggests that many in this group would purchase health insurance if only given the opportunity. Assistance to improve health insurance for *The Prepared* could come in the form of reducing barriers to coverage, such as placing greater limitations on pre-existing riders and exclusions that health insurance companies can place in their policies.

This strategy would target the four groups in the following sequence:

The Prepared *The Hindered* *The Reluctant* *The Complacent*

PROS

- ✓ *The Prepared* and *The Hindered* are not only the most motivated, but also make up the largest two portions of uninsured. Assisting *The Prepared* and then *The Hindered* would provide health benefits to well over half of the previously uninsured, giving this policy alternative high immediate impact.

- ✓ *The Prepared* and *The Hindered* also have the greatest medical needs. As a group, *The Prepared* have the poorest health and are the oldest group. Bringing those most motivated (and with the greatest needs) into the health care system could potentially provide the greatest positive impact on the overall health care status of the uninsured because so many in these two groups need health care.

- ✓ *The Prepared* are more prone to seek out health insurance on their own. Therefore, fewer dollars could be spent on outreach and education and more on health care service, delivery and insurance.

CONS

- ✗ Policy makers will have to tackle the issue of pre-existing conditions before the majority of *The Prepared* and *The Hindered* can obtain health insurance. Current State and Federal Insurance regulations allow the health insurance companies to place riders and exclusions on health insurance policies, making them unobtainable for those most in need of health care. In some cases individuals in poor health are placed in high-risk groups, making health care insurance unaffordable. Policy makers might have a difficult task ahead of them as they try to balance the desire of the insurance companies to protect themselves from substantial losses while making insurance affordable and accessible for those most in need.

- ✗ Those most in need are also most likely to be the highest utilizers of care. Bringing the highest utilizers into the risk pool at one time without balancing the pool with those who are less likely to utilize care, will undoubtedly force health insurers to raise premiums, perhaps displacing many on the margins of affordability.

- ✗ Although *The Prepared* are more willing to pay for health insurance on their own, *The Hindered* may want health insurance, but are constrained by their financial situation. Without some type of government subsidy or an ability to drastically reduce the costs, health insurance may remain out of reach for this large segment of the motivated population.

Most Likely to Afford it First

In a free market economy, affordability, in combination with motivation to purchase, often result in completed transactions. The voluntary nature of the health insurance market parallels this theorem. If health insurance is available for those who want it and can afford to purchase it, it is very likely that they will do so. Therefore, in order for this strategy to be effective, people will have to be convinced that health insurance is something they need and they will have to be ensured that they can purchase it if they so choose. However, each of the two groups who can afford health insurance lack one of these items. *The Reluctant* do not value health insurance and *The Prepared* cannot purchase it. An intense campaign about the importance of health insurance and the possible personal and societal consequences of not having insurance would have to be undertaken so that *The Reluctant* could be convinced. In addition, restrictions and rules governing pre-existing conditions would have to be relaxed so that *The Prepared* could be accepted.

This strategy could target the four groups in the following sequence:

The Reluctant *The Prepared* *The Hindered* *The Complacent*

PROS

- ✓ This group would require no subsidies from the government because, as a group, they have the disposable income to purchase or contribute to health insurance.

- ✓ Having *The Reluctant* in the risk pool strengthens the pool by adding members that are more likely to be low-utilizers of health care services. Spreading the risk over more members, especially among those who are low-utilizers could assist in either lowering or stabilizing health insurance premiums.

- ✓ This path may garner more public support than the other strategies. The second phase of the strategy involves assistance for *The Prepared* and would most likely require changes in the state insurance regulatory system, including the removal or lowering of pre-existing riders and/or exclusions. However, public support might be greater for removing barriers so that *The Prepared* can purchase health insurance on their own, than for other strategies that require financing health insurance through government subsidies.

CONS

- ✗ Educating and persuading *The Reluctant* about the need and importance of purchasing health insurance will be an arduous challenge. As a group, *The Reluctant* say they do not need health insurance and they prefer other job related benefits, such as pay and retirement to health insurance.

- ✗ To enable *The Prepared* to access or purchase health insurance, regulatory hurdles must be lowered; namely, the ability for those with pre-existing conditions to be able to purchase health insurance at reasonable prices.

- ✗ Even with reducing regulatory barriers, increasing awareness and motivation about the need for health insurance does not complete the equation for *The Hindered* or *The Complacent*. These two groups will still lack the means to purchase health insurance, and collectively include more people than the other two groups.

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