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Small Employer Health Insurance
Survey Results

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Why Small Employer Health Insurance?

- **Nearly 1/2 of uninsured Texans work at firms with less than 25 employees**

Firm Size	Number of uninsured workers	Percent of total uninsured
Less than 10	688,227	32.9%
10-24	276,448	13.2%

- **75% of firms with fewer than 50 employees do not offer health insurance**

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State and Federal Reforms Enacted to Assist Small Employers

- **Guarantee issue regardless of health status**
- **Rating restrictions**
- **Purchasing pools/alliances**
- **Standard benefit plans without all mandated benefits**

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Effects of Reform on Texas Small Employer Enrollment

Year	Number of Small Employers with Insurance	Percent of Firms Insured
1993	36,952	10.6%
1994	50,144	14.3%
1995	63,698	19.0%
1996	74,164	25.0%
1997	83,437	23.1%
1998	86,106	23.5%
1999	96,710	26.0%
2000	97,793	25.6%

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Standard HMO and Basic and Catastrophic Plans

-These programs have very low enrollment

Year	Basic and Catastrophic Plans	Standard HMO Plan
1996	19 (0.03%)	426 (0.58%)
1997	53 (0.1%)	2,941 (3.5%)
1998	25 (0.1%)	5,881 (6.8%)
1999	473 (0.6%)	4,647 (6.5%)
2000	398 (0.4%)	6,578 (6.7%)

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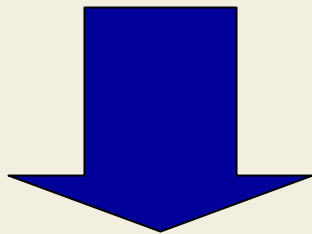
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HRSA Directions to SPG States

Identify areas where the state needs data/information to develop realistic, effective options for expanding health insurance



Survey of Small Employers

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Information Objectives for Small Employer Survey

- **Reasons insurance is not offered**
- **Perception of the value of insurance**
- **Insurance affordability**
- **Benefit plan design**
- **Awareness of previous reforms**
- **Support for insurance expansion options**

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Survey Methodology

- **Designed survey questionnaire**
- **Developed customized “Scantron” answer sheet**
- **Included postage-paid return envelope**
- **50,000 surveys mailed**
- **10,968 usable surveys returned (21.94%)**

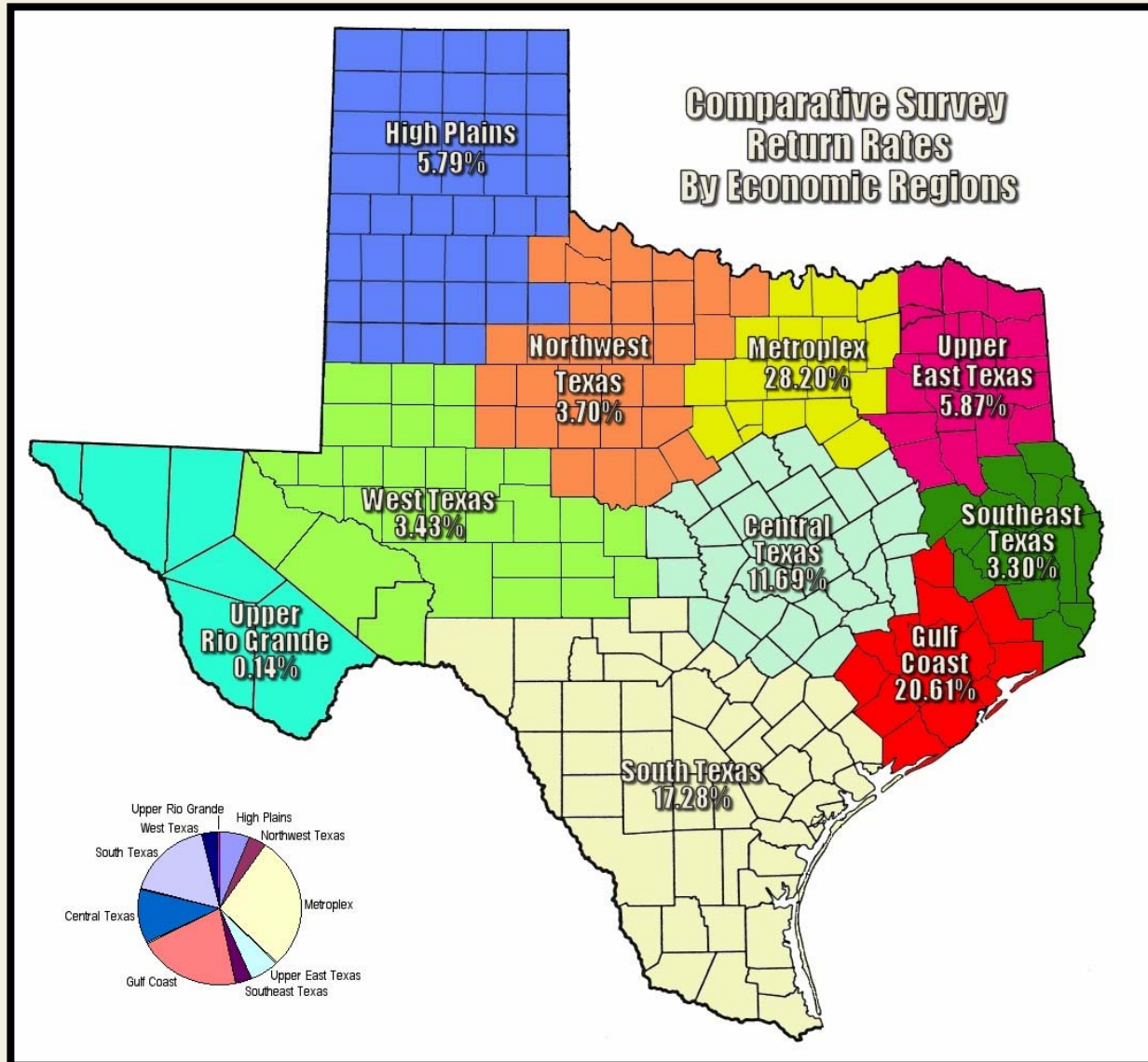
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Geographic Distribution of Responses



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Number of Years in Business

Age of Business	Percent of Responses
Less than 1 year	1.0%
1-4 years	12.4%
5-9 years	17.3%
10-19 years	30.2%
20 or more years	38.9%

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Type of Business

Type of Business	Percent of Responses
Service-related	46% (5,010)
Retail	11% (1,257)
Construction	9% (986)
Manufacturing	7% (721)
Wholesale	4% (451)
Agriculture, Forestry and Fishing	3% (350)
Food Service	3%(345)
Other	16% (1,751)

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Gross Revenue - 2000

Annual Gross Revenue	Percent of Responses
Less than \$25,000	1.7%
\$25,000-50,000	1.8%
\$50,001-100,000	4.9%
\$100,001-200,000	12.3%
\$200,001-500,000	26.6%
\$500,001-1,000,000	20.1%
\$1,000,001-2,500,000	17.4%
More than \$2,500,000	10.6%

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Average Annual Salary

Average Annual Salary	Percent of Responses
Less than \$10,000	3.4%
\$10,000-15,000	9.4%
\$15,001-20,000	16.9%
\$20,001-25,000	22.3%
\$25,001-50,000	38.4%
\$50,001-75,000	4.3%
More than \$75,000	1.6%

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Health Insurance Status

Health Insurance Status	Number of Companies	Percent of Companies
Currently offers health insurance	5,918	54%
Currently does not offer health insurance	5,037	46%

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Employers Not Offering Health Insurance: **Prediction of Future Health Insurance Status**

Future Status	Percent of Responses
Definitely will <u>not</u> offer health insurance in the next three years	25%
Probably will <u>not</u> offer health insurance in the next three years	50%
Probably will offer health insurance in the next three years	20%
Definitely will offer health insurance in the next three years	4%

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Employers Not Offering Health Insurance: **Primary Reason Insurance Is Not Offered**

Primary Reason	Percent of Responses
Tried to buy insurance, but too expensive	35%
Haven't tried to buy insurance because we know it's too expensive	27%
Most employees already have insurance	15%
Most employees cannot afford their share of the premium	7%

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Employers Not Offering Health Insurance: Primary Reason Insurance Is Not Offered (cont.)

Primary Reason	Percent of Responses
Majority of employees prefer higher wages to health insurance	5%
Could not get insurance because of pre-existing conditions	4%
Too much administrative hassle	2%
Majority of employees do not want insurance because they think it's unnecessary	1%

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Employers Not Offering Health Insurance: Maximum Premium Contribution Employer Can Afford Per Employee Per Month

Maximum Contribution	Percent of Responses
Less than \$50	23.3%
\$50	22.1%
\$100	19.5%
\$150	8.8%
\$200	4.6%
\$250	1.7%
\$300+	1.7%
Company would not purchase at any cost	13.7%

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Employers Not Offering Health Insurance: **Type of Benefit Plan Preferred**

-Preventive care coverage for routine illnesses and minor injuries

Preventive Care Annual Limit	Percent of Responses
\$10,000	14.3%
\$20,000	12.5%
\$50,000	21.1%
Total	47.9%

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Employers Not Offering Health Insurance: **Type of Benefit Plan Preferred (cont.)**

-Catastrophic coverage that would not cover routine illnesses

Catastrophic Care Annual Limit	Percent of Responses
\$100,000	12.4%
\$500,000	14.4%
No Annual Limit	16.6%
Total	43.4%

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Employers Not Offering Health Insurance: Importance of Specific Insurance Benefits - Benefits Classified as Extremely or Very Important

Benefit	Percent of Responses
In-patient hospital	85%
X-rays and MRI's	73%
Specialist visits	73%
Primary care physician only when sick	72%
Laboratory work	71%
Prescription drugs	71%
Primary care physician when sick and for well-checks	67%

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Employers Not Offering Health Insurance: **Importance of Specific Insurance Benefits -** **Benefits Classified as Extremely or Very Important (cont.)**

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Benefit	Percent of Responses
Preventive screenings	66%
Well-child care	51%
Maternity care	41%
Vision care	38%
Dental	38%
Mental health	29%
Chiropractic	22%
Alcohol and drug abuse treatment	18%





Employers Not Offering Health Insurance: Employers' Knowledge of Small Employer Health Insurance Reform

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Reform	Know about reform?	
	Yes	No
Small employers cannot be denied insurance due to health status	28%	70%
Small employers can purchase standard plans with limited benefits at a lower cost	18%	80%
Small employers can join together to form a purchasing alliance	26%	72%





Employers Not Offering Health Insurance: Who is Primarily Responsible for Assuring that Individuals are Insured?

Response	Percent of Responses
Federal Government	27.3%
State Government	12.7%
Local Government	1.0%
Employers	10.3%
Individuals	41.5%
None of the above – insurance is not important	0.4%
Other	2.2%

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Employers that Do Offer Health Insurance: **Number of Years Insurance has been Provided**

Years	Percent of Responses
Less than 1 year	4.3%
1-2 years	10.3%
3-5 years	22.5%
6-10 years	20.1%
11-15 years	11.1%
More than 15 years	28.4%

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Employers that Do Offer Health Insurance: **Employees Eligible for Coverage**

Hours Worked Per Week	Percent of Responses
20	5.2%
25	1.1%
30	17.0%
35	6.4%
36-40	64.8%
Other	2.5%

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Employers that Do Offer Health Insurance: **Percentage of Employees who Decline Coverage**

Percent Declining Coverage	Percent of Responses
Less than 10%	54.0%
10-20%	9.6%
21-30%	6.0%
31-40%	4.0%
41-50%	5.6%
More than 50%	10.0%

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Employers that Do Offer Health Insurance: Reasons Employees Decline Coverage

Reason for Declining Coverage	Percent of Responses
Already covered under spouse's or parents' plan	52.8%
Already covered under another employer's plan	4.1%
Cannot afford employee premium payment	16.4%
Does not want insurance	6.3%

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Employers that Do Offer Health Insurance: **Health Insurance Rate Increases Since 1999**

Amount of Rate Increase	Percent of Responses
Less than 10%	2.6%
10-25%	22.3%
26-50%	36.0%
51-75%	14.7%
76-100%	6.5%
101-150%	3.0%
More than 150%	3.0%

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Employers that Do Offer Health Insurance: Likelihood of Employers Discontinuing Health Insurance

Likelihood of Discontinuing	Percent of Responses
Almost certain to discontinue	5.6%
Very likely to discontinue	9.1%
Somewhat likely to discontinue	21.1%
Very unlikely to discontinue	38.0%
Absolutely not likely to discontinue	22.9%

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All Employees: Level of Support for Health Insurance Expansion Options

Expansion Option	Strongly Support	Generally Support	Total Support
Purchasing alliance	77%	18%	95%
Join large plan (State or federal employees' plan)	65%	24%	89%
Financial incentive for employers	55%	30%	85%
Allow CHIP buy-in for children only	34%	44%	78%

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All Employees: Level of Support for Health Insurance Expansion Options (cont.)

Expansion Option	Strongly Support	Generally Support	Total Support
Expand CHIP to cover more children	32%	39%	71%
Expand CHIP to cover parents	22%	34%	56%
Expand Medicaid to add more children	21%	34%	55%
Government subsidy for low-income employees	20%	29%	49%

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All Employees: Level of Support for Health Insurance Expansion Options (cont.)

Expansion Option	Strongly Support	Generally Support	Total Support
Reduce mandated benefits with premium reduction	22%	26%	48%
Expand Medicaid to cover low-income parents	14%	30%	44%
Reduce mandated benefits without premium reduction	6%	7%	13%

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Comments of Small Employers: Administrative Cost

“As a small business, I find it very difficult to keep all the insurance plans we are required to have maintained & then offer health insurance also. Most employees already are interested in the benefits of a job as they are the wage. We are insurance poor. I need some relief.”

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Comments of Small Employers: Benefit Packages

“It is very important that insurance policies be mandated to cover chemical dependency and mental health assessment and treatment. A few dollars saved by excluding these benefits results in far greater health care costs, increasing premiums for small businesses.”

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Comments of Small Employers: Benefit Packages (cont.)

“Fewer ancillary coverages (alcohol abuse, dental, chiropractic) would allow for cheaper premiums. The more state or federal government interferes with health care delivery with special subsidies or programs, the more complex it will likely become for the bulk of consumers to obtain affordable health care.”

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Comments of Small Employers: Free Clinics / Emergency Care

“For three years we offered health insurance to our employees at no cost to them. Not a single employee ever used the coverage and therefore we dropped the coverage. Our employees use several free clinics in the area and a good county hospital which charges them practically nothing.”

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Comments of Small Employers: **Free Clinics / Emergency Care (cont.)**

“Even though our employees are offered insurance, they would rather use the free clinics than pay. This especially applies to the ones that are not U.S. citizens.”

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Comments of Small Employers: High Risk

“Extremely high-premium group & individual coverage has left a large percentage of people without any coverage & therefore lacking access to good health care. Health problems within a group can cause premiums to be prohibitively high, and the same problems to deny coverage exist under individual plans. The only exception is the state pool, but it is too high for any average person to afford.”

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Comments of Small Employers: Insurance Costs

“Health insurance coverage has become unbelievably expensive. It is most frustrating to find decent coverage while trying to keep costs down for the employee as well as the company. It seems the carriers always quote one price, then find any medical condition they can to "max rate" the whole group. We want to provide the best we can for our people, but it is becoming increasingly difficult.”

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Comments of Small Employers: Mandated Benefits

“We have had to provide coverage for pregnancy in our policies since it practically became a disease. However, we have not had any pregnancies nor any women employees of child bearing age; yet, we had to have the coverage. This, to me, is one example of why my rates have increased so much. I have to pay for that which I do not need.”

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Comments of Small Employers: Mandated Benefits (cont.)

“The people of Texas want quality healthcare, not just minimal coverage which does not include the things they need. Elimination of mandated coverage is not the answer. Please be careful to know the facts before considering elimination of mandated coverage. There are many issues involved, such as discrimination of health care types as well as preventive issues.”

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Comments of Small Employers: Medical Costs

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“I feel the government should step in and regulate hospitals and doctors along with insurance companies to help lower the total cost of healthcare. I'm sure we all know what a Coke or an Aspirin costs when you're in the hospital, and I feel this is taking advantage of patients and insurance companies alike. This is why the cost of insurance is so high.”





Comments of Small Employers: Payment for Services

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“I supply health insurance to the families of my employees because it is important to me that they are all healthy. However, health insurance companies are famous for denying small business claims that are obviously justified. We have had several instances where it was just not worth our company’s time to appeal a denial and we paid the claim completely out of pocket.”





Comments of Small Employers: Pre-existing Conditions

“Health insurance should be required to take all applicants, regardless of health conditions or pre-existing conditions. Premiums should be the same regardless of age. That would be truly sharing the risk.”

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Comments of Small Employers: Pre-existing Conditions (cont.)

“I would like to provide health insurance for my employees. Due to pre-existing conditions such as diabetes, heart conditions and obesity, our group’s rates would be increased by 60%. I cannot afford this premium, and my employees cannot afford their 25% of the premium, either.”

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Comments of Small Employers: Purchasing Pools

“We would support a large pool of small companies for health insurance purposes. Also, limits should be placed on how much insurance companies can increase premiums from one year to the next.”

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Comments of Small Employers: Purchasing Pools (cont.)

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“State law should enable all employers and individuals to get the same rates as the largest group. The economics that allow for lowest cost premiums can be extended through combined administration so that no group would be more costly than any other. assuming broad demographics to minimize the differences between the state's largest employer and the sole proprietorship.





Comments of Small Employers: Small Business Insurance

“Small businesses are being discriminated against. We should be allowed to join together or to join the wonderful generous government employees' programs.”

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Comments of Small Employers: Standardization

“Insurance purchasing is a major hassle; it is impossible to compare rates and benefits between companies because there are no standards.”

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