

Small Employers' Health Insurance Attitudes and Purchasing Trends

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National Association
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Background and Objectives

The National Association of Health Underwriters (NAHU) is a professional association supporting those active in the health insurance industry. Primarily, the Association supports those who sell insurance.

In an effort to better understand the perceptions and attitudes of those who make decisions regarding health care and other benefits for small businesses, NAHU commissioned WB&A Market Research to conduct research among small business decision-makers throughout the United States. Some of the specific objectives of this research include:

- Determine the proportion who offer health insurance.
- Among those without employee health insurance:
 - Reasons for not offering a health care plan to their employees, and
 - Experiences with a health insurance agent, and if so what was that experience like.
- Among those with employee health insurance:
 - Number and type(s) of plans offered,
 - Amount contributed toward said health insurance (employer/employee),
 - Changes in cost of health insurance and likely responses to future changes,
 - Satisfaction with their current health insurance options (employer/employee), and
 - Experiences with a health insurance agent.
- Perceived role of insurance agents.
- Importance of offering health insurance.
- Reactions to some health care legislative initiatives currently being considered and the potential impact of them on employees and employers.

What follows are the summary results of this research.

Methodology

In order to meet the research objectives, a total of 300 telephone interviews were conducted among a random sample of small businesses nationwide. Small businesses were defined as those having between 2 and 50 benefits-eligible employees. This sample was purchased by WB&A from SDR (Sophisticated Data Resources, Inc.).

Interviews were conducted between January 11 and February 22, 2001 during normal business hours. Each interview averaged about 20 minutes in length. All interviewing was conducted by professional telephone interviewers who were trained and supervised by WB&A's staff.

In order to qualify for the study, the person interviewed had to either be primarily responsible for making decisions related to health care and other employee benefits within their business or had to share that responsibility equally with someone else.

In research, because the entire population is typically not interviewed, but rather a sample of that population is surveyed, the data is subject to sampling error. The maximum sampling error of the data for the total sample of 300 interviews per version is ± 5.7 percentage points at the 95% confidence level. However, depending upon the data being examined, the fluctuation may be smaller. Standard errors are shown below for various percentages.

		40%	30%	20%	10%	1%
		or	or	or	or	or
If the percentage found is around:	<u>50%</u>	<u>60%</u>	<u>70%</u>	<u>80%</u>	<u>90%</u>	<u>99%</u>
Then, the standard error, in percentage points would be:						
Total sample (n = 300)	± 5.7	± 5.5	± 5.2	± 4.5	± 3.4	± 1.1

For example, if a question in the study asked among the total sample yielded a percentage of 20%, then we can be sure 95 out of 100 times that the true percentage would lie between 15.5% and 24.5% (20% ± 4.5 percentage points).

Key Findings – Health Insurance Coverage

Three-quarters (72%) of small businesses in the United States (small businesses being defined here as having 2 to 50 benefits-eligible employees) currently offer employee health insurance.

- Those who offer health insurance have significantly higher sales volumes (average of \$2.2 million vs. \$1.2 million) and often have more benefits-eligible employees (36% have 11 or more vs. 11% with 10 or less) than those who do not offer employee health insurance.
- Most companies who do offer health insurance offer one plan (81%), with HMO's (41%) and PPO's (36%) being the most common.
- Most companies who do not currently offer health insurance have never done so (80%).
- Cost issues are most frequently cited as inhibitors to offering health insurance.

Almost one-half of small businesses that offer health insurance (45%) have their employees contributing to the cost of their health insurance.

- When employees do contribute to the cost of the health plan for themselves, they average paying 42% of the total cost when based on a percentage, or around \$44 per month when based on a dollar amount.
- The majority of employees (64%) do have to pay an additional cost for adding their family to their health care coverage.
- The average cost for including one's spouse is \$168 per month, which increases to \$249 per month when including their spouse and children.

Almost all respondents (83%) report they experienced an increase in the cost of their company health insurance last year, with the average increase being about 15%.

- Their likely response to future cost increases will be to change health plans or carriers (71% likely) and/or have the company and employees share the burden of the additional cost (68% likely). Very few are prepared to either have only their employees pay the additional cost (25% likely) or no longer provide employee health insurance (12% likely).
- In fact, those who switched (21%) and/or added (6%) a plan in the past year were most likely to do so because their premiums increased (65%).

Key Findings – Health Insurance Coverage (Cont'd)

About one-half of the companies offering health insurance coverage report that all of their eligible employees take the company's health insurance.

- According to respondents, those employees who do not take their company's health insurance most often do not because they have their own coverage elsewhere (79%). However, there are some who do not take health insurance coverage because of cost and/or other financial reasons (18%).
- In most of the companies (70%) where some employees do not take health insurance, fewer than 10% of those not taking are considered low-income by their employers.

The majority of companies who offer health insurance (59%) are satisfied with their company's health plan and believe their employees (58%) are also satisfied.

- While employers are generally satisfied with their current health plan, they are not as satisfied with the insurance options available to the company.
- Most say their employees rarely or never provide negative feedback regarding the company health plan (67%).
- Employers would also be comfortable that their employees would be adequately protected if their health plan were independently reviewed on its treatment decisions (57%).

Those who offer health insurance almost universally feel offering such coverage is important (99%), while those who do not offer health insurance are more mixed on its importance (52%).

- The most common reasons for believing it is important to offer health insurance are: The feeling employee benefits should be offered and the employees expect it (25%), the employees want health insurance in order to cover their families (22%), employees cannot afford it on their own (18%) and/or offering health insurance is a way to attract employees (17%).
- The most common reasons for believing it is not important to offer health insurance are: individuals covered elsewhere (50%), employees cannot afford it (18%) and/or employees do not stay long (10%).

Key Findings – Health Insurance Coverage (Cont'd)

Respondents say high cost (52%) and a lack of access (29%) are the major problems facing health care in the United States.

Small business decision-makers were asked their opinions about four proposed federal health care initiatives. All four initiatives were either strongly or mostly favored by at least seven in ten employers.

- More than eight in ten (84%) strongly or mostly favor offering a tax incentive through employers to help their employees pay some or all of their health insurance premium costs for lower-wage workers who cannot afford to pay their own portion of the cost.
- Three-fourths (76%) strongly or mostly favor offering lower-income employees a tax incentive or government subsidy to help them pay their share in the cost of their health insurance regardless of the place of purchase.
- Seven in ten (71%) strongly or mostly favor providing additional federal funding to encourage states to provide health care coverage to working adults who do not qualify for coverage through the Medicaid program but still cannot afford health insurance coverage.
- Seven in ten (70%) also strongly or mostly favor having Medicaid cover more low-wage workers and their families who have no health care coverage.

Most companies (71%) would be likely to take part in a government subsidy or tax incentive program to help low-income employees pay the cost of health insurance.

- Slightly more than one-half (55%) who offer health insurance but have some employees who do not participate (35% of total sample), believe low-income employees would take advantage of such a program.
- Most employers (79%) would be unlikely to stop offering health insurance coverage if a subsidy/tax incentive program were implemented.
- Slightly more than one-half (53%) would also be unlikely to reduce their company's contribution toward their employees' health care plan under these circumstances.

Key Findings – Attitudes About Insurance Agents

Most of those who do not currently offer health insurance have spoken with an agent in the past (74%).

- While few were dissatisfied (16%) with the experience, many provided neutral ratings for their experience (46%).
- Furthermore, four in ten who have not met with an agent in the past (41%) have at least considered doing so.
- These small business decision-makers do not seem adverse toward health insurance agents. Many simply have not used one because their employees have their own coverage, they cannot afford it or they have not had the time to meet with an agent.

Most who currently offer health insurance (75%), particularly those in companies with 11 to 50 employees (87%), used the services of a health insurance agent when selecting their current health care plan.

- Those who did not most often (70%) reported purchasing their current plan directly from an insurance company.
- Most of those who currently use an agent (53%) most often say they are either very close or at least on friendly terms with their agent.
- One-half of those who currently use an agent say they would be unlikely to not use their agent if it were an option, citing the agent's knowledge as the biggest reason why. Those who would consider leaving their agent most often say they would have to know what costs and brokerage fees they would save before deciding to leave their current agent.

When asked what services their agents commonly perform:

- More than eight in ten (83%) report their agent presents them with a number of plans.
- More than seven in ten (72%) report their agent helps them deal with claims and other problems.
- More than one-half report their agent meets with employees (57%) and/or takes calls directly from employees (54%).

Key Findings – Attitudes About Insurance Agents (Cont'd)

When asked their opinions about agents or the role of agents, almost nine in ten of those who currently use an agent agree with the following:

- Health insurance agents or brokers can help them and their employees get the most from their health insurance (87% agree). Furthermore, those who currently use an agent are more likely than those who do not to completely or somewhat agree with this (87% vs. 56%).
- Health insurance agents or brokers provide important services and additional value to the health insurance coverage they are able to provide their employees (86% agree). Those who currently use an agent are more likely than those who do not to both “completely agree” (31% vs. 6%) and agree overall (86% vs. 52%).

Almost six in ten (58%) agree health insurance agents or brokers clearly operate independently from health insurance companies.

One-half (48%) agree health insurance agents or brokers increase the cost of health insurance.

One-fourth agree with the following statements:

- Health insurance agents or brokers work for or are employees of a specific health plan (28% agree); and
- Health insurance agents or brokers are not necessary. In fact, only 6% of those who currently use an agent “completely agree” with this statement (25% agree).