



Small Employers in Del Norte County and Health Insurance

Results of a Survey in Four Rural
California Counties for
Planning Our Future

Crescent City, CA

April 4, 2008



About The Access Project

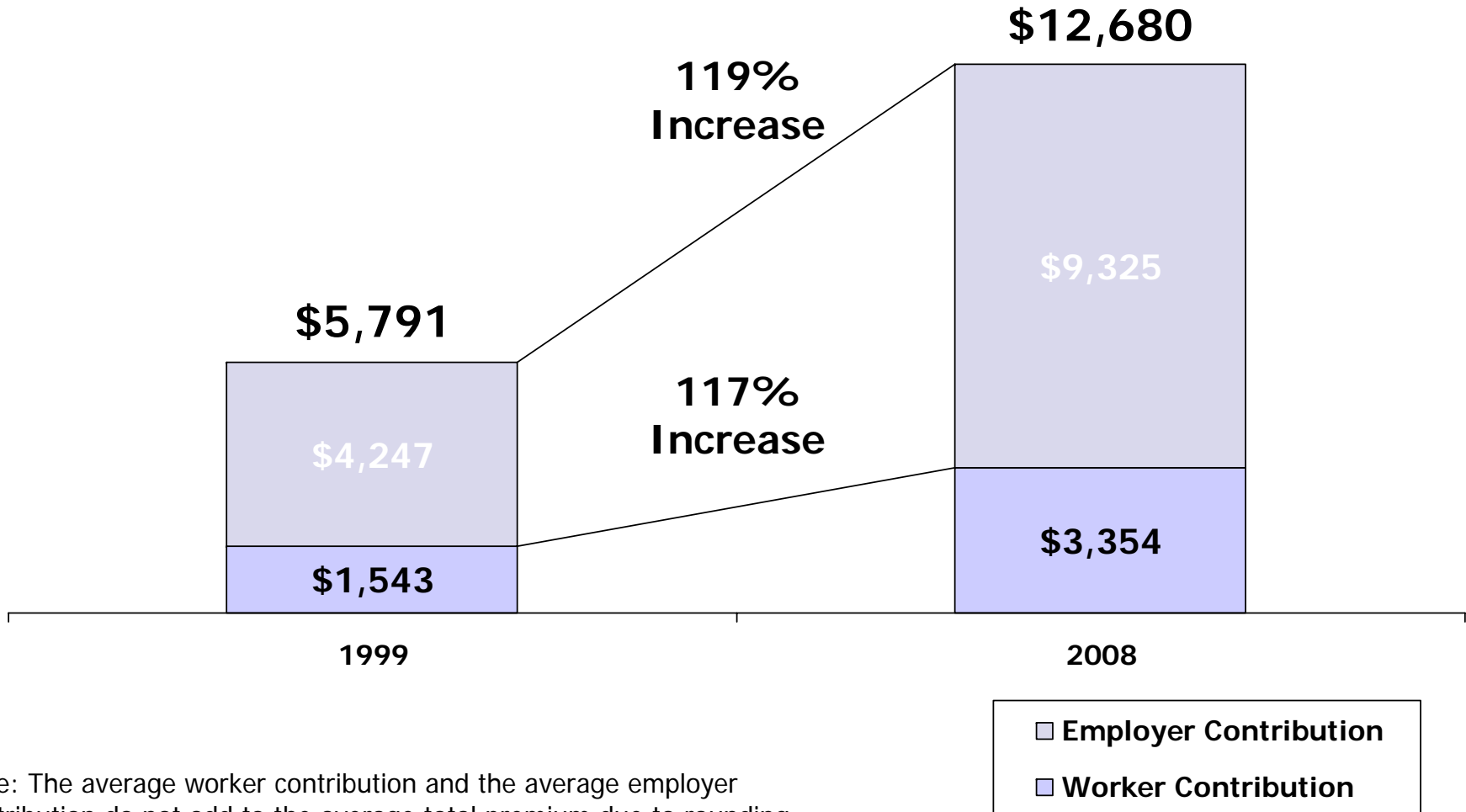
- National research and advocacy organization supporting local access improvement efforts
- Mission: work to strengthen community action, promote social change, and improve health, especially for those who are most vulnerable.
- Initiated in 1998 through Robert Wood Johnson Foundation grant
- Provide technical assistance to local efforts through research, policy analysis, community engagement, and communication services



Background

- TAP has studied the adequacy of health insurance and medical debt since 2000.
- In 2007, more than 4 in 10 adults under 65 had medical bills or accrued medical debt they are paying off
 - Up from 34% in 2003
 - Over a quarter had medical debt (28%)
- Underinsurance a growing concern
 - 1/3 of the continuously insured had medical bill problems
 - 1/4 (24%) had medical debt
 - 1/3 of insured with medical debt used up all of their savings to pay off medical bills
- Underinsurance will increase as health care costs rise and more costs are shifted to consumers

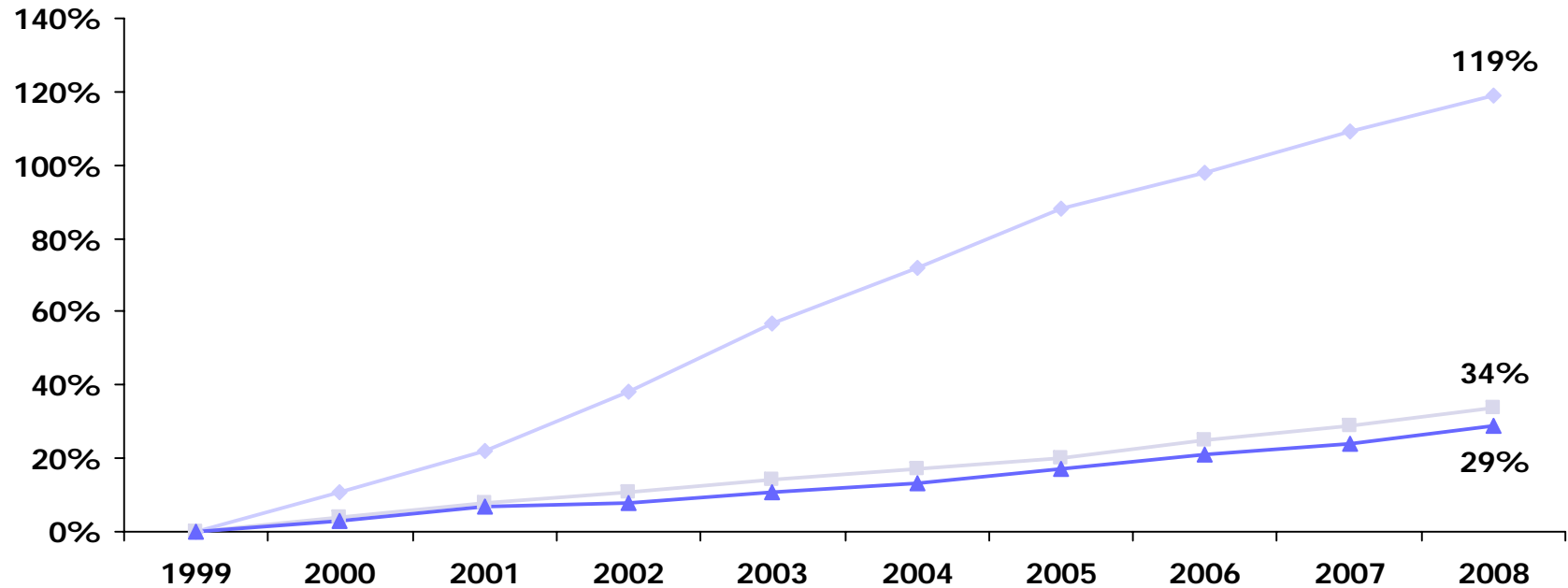
Average Health Insurance Premiums and Worker Contributions for Family Coverage, 1999-2008



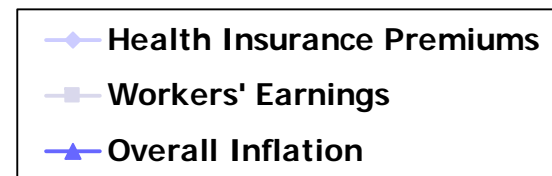
Note: The average worker contribution and the average employer contribution do not add to the average total premium due to rounding.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2008.

Cumulative Changes in Health Insurance Premiums, Inflation, and Workers' Earnings, 1999-2008



Note: Due to a change in methods, the cumulative changes in the average family premium are somewhat different from those reported in previous versions of the Kaiser/HRET Survey of Employer-Sponsored Health Benefits. See the Survey Design and Methods Section for more information, available at <http://www.kff.org/insurance/7790/index.cfm>.



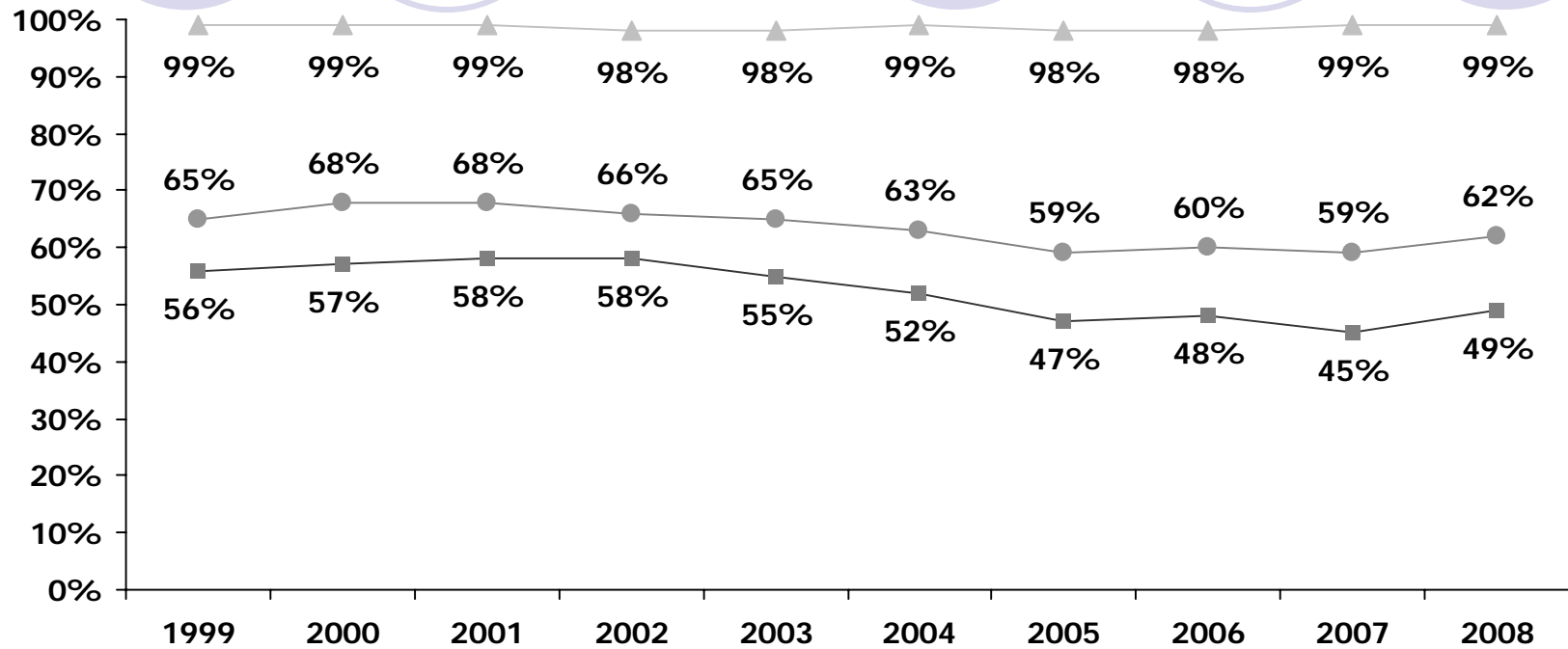
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2008. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2000-2008; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2000-2008 (April to April).

Changes in cost sharing



- Between 2007 and 2008, the annual deductible for workers in PPOs with a deductible increased
 - from \$461 to \$560 for single coverage,
 - from \$1,040 to \$1,344 for family coverage
- Between 2006 and 2008, the percentage of covered workers in a plan with a deductible of at least \$1,000 for single coverage grew from 10% to 18%
 - Among small firms (3-199 workers) the percentage increased from 16% to 35%

Percentage of All Firms Offering Health Benefits, 1999-2008*



*Tests found no statistical differences from estimate for the previous year shown ($p < .05$).

Note: Estimates presented in this exhibit are based on the sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.


- All Small Firms (3-199 Workers)
- ▲ All Large Firms (200 or More Workers)
- 3-9 Workers

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2008.

Why Study Small Employers?

- Small businesses are a major driver of the economy
 - They employ more than half of private sector employees
 - They produce roughly half of the private GDP
 - Ninety percent of small businesses employ fewer than 20 people.
- Healthcare expenses have the potential to undermine the viability of small businesses
 - And this can affect the stability of the rural healthcare delivery system and local economies
- Self-employed and small businesses purchase insurance disproportionately in the non-group and small group market
 - Products in these markets are generally more expensive, provide less coverage, and have the fewest consumer protections
 - Many current national health care reform proposals rely on this market to expand health care coverage

Our First California Small Employer/ Rural Business Survey



- 2008 Health Insurance Survey of California Farm and Ranch Operators
 - Funded by The California Endowment
- Survey of 1,787 non-corporate farm and ranch operators
- Almost all (90%) continuously insured
- 30% purchased in non-group market
 - vs. national average of 8%



CA Farm/Ranch Survey

- 31% spent >10% of income on health care
 - Key factor was purchasing insurance in non-group market
- 20% said healthcare costs contributed to financial problems: among this group
 - Spent on average 37% of income on healthcare
 - 28% said caused them to delay needed business investments
 - 28% had to take off farm/ranch work or work more
 - 11% had difficulties paying off farm/ranch loans

Our Second California Small Employer/ Rural Business Survey

- Funded by TCE

- Goals

- Learn about small employers' experiences with health insurance
- Learn about small employers' attitudes toward changes in health care system
- Bring small employers' voices into the state and national health care debate

The California Rural Small Employer Survey



- Conducted in 6 counties
 - Del Norte, Glenn, Mendocino, Shasta
 - Low response rates in Yolo and Imperial
 - Partnered with county health departments
 - Outreach through local business organizations
- Completed online
- 254 respondents
 - 65 in Del Norte

Who Responded?




- Respondents were really small employers
 - 65% had 5 or fewer full time (68% in DN)
 - 80% had 10 or fewer employees (80% in DN)
 - More than half (54%) had gross revenues under \$500,000 (63% DN)
- Businesses ranged across industry categories
- Half did and half didn't offer insurance
 - 49% offered to full time, or full and part time employees
 - (43% DN)
 - 51% did not offer insurance (57% DN)

The text is centered and surrounded by five light purple circles. One circle is behind the word 'Among', one is behind 'Offer', one is to the right of 'Offer Insurance', one is to the left of 'Experiences with', and one is to the right of 'Their Health Plans'.

Among Those Who
Offer Insurance

Experiences with
Their Health Plans

Why Do Small Businesses Offer Health Insurance?



- Owners need it for themselves and families
 - 61% rated very important (DN 70%)
- Important for employee well being
 - It's the right thing to do -- 58% (DN 74%)
 - Increases employee satisfaction -- 55% (DN 58%)
 - Easier to hire and keep good employees -- 58% (DN 69%)
- Least important reason for offering
 - Most of competitors offer insurance
- Employers are committed to continuing to offer insurance
 - Only 5% considering dropping insurance in next year

Reasons for Choosing A Health Plan

- Keeping premiums down is important -- 66% (DN 63%)
- But employers had other concerns as well
 - Providing comprehensive benefits -- 49% (DN 58%)
 - Limiting cost sharing -- 38% (DN 52%)
 - Access to wide network of providers -- 46% (50%)
 - Good customer service -- 52% (DN 48%)
- Least important reasons
 - Excluding benefits -- 8% (DN 15%)
 - Having high cost sharing -- 11% (DN 8%)
 - Limiting the provider network -- 6% (DN 8%)

Nonetheless...



- Most saw their premiums increase
 - 83% renewed with the same insurer (DN 89%). Of these, 87% had a premium increase
 - 4% said premiums stayed the same
 - Only 1% said premiums decreased
- Many were forced to increase costs for employees
 - In the last 2 years
 - 27% raised deductibles (DN 21%)
 - 30% raised other cost sharing (DN 21%)
 - 28% increased employee portion of premium (DN 39%)
 - But
 - Only 4% eliminated benefits (DN 0%)
 - Only 6% limited networks (DN 2%)

How Employers Rate Their Health Plan

- Employers generally satisfied with their health plans
 - Majorities rated them positively on most items
 - On various positive measures of their health plan, between 68% and 85% strongly or somewhat agreed
- But a significant minority reported problems
 - Percent that strongly or somewhat disagreed with the following statements
 - Requires level of out-of-pocket spending I expected – 22% (DN 41%)
 - Allows employees to get health care they need – 15% (DN 25%)
 - Provides good value for premium dollar – 30% (DN 39%)



Among Those Who
Do Not Offer Insurance

Why They Don't Offer Insurance

Why Don't Employers Offer Insurance

- Differences between those who did and did not offer insurance
 - Main difference: those who didn't offer insurance generally had lower revenues
- Main reasons for not offering insurance were related to cost
 - Premiums cost too much – 85% (DN 88%)
 - Revenue too uncertain to commit to a plan – 66% (DN 73%)
 - Doesn't offer value given premiums and cost-sharing – 49% (DN 45%)
- Insufficient numbers of workers to buy group coverage also a factor – 57% (DN 61%)



Among All Employers

**Attitudes Toward
Health System Change**

The Voice of Small Business in Health Care Reform Discussions

- Ongoing discussions of health care reform at the state and national level
- Business represented in these discussions by various organizations
- How do survey respondents' attitudes compare to the positions of these organizations?
- Looked at the National Federation of Independent Business (NFIB) because it is a leading small business association representing small and independent businesses.



Reforming the Health System

- NFIB

- “NFIB continues to be greatly concerned by government imposed mandates that discourage control and innovative health plan designs.”
- “While mandates make small business health insurance more comprehensive, they also make it more expensive. Mandates require insurers to pay for care consumers may have previously funded out of their own pockets, thereby raising the price of premiums to cover the increased claims the insurer anticipates to take place as a result of the mandate.”
- In other words, reduce government regulation of insurance and allow the sale of insurance plans with more limited benefits that may require more consumer out-of-pocket spending.



Reforming the Health System

- California Small Employers

- Health care costs are rising because...

- Most Strongly Agree

- We spend too much on insurance bureaucracies and administration – 65% (DN 62%)
 - Insurance companies make too much money – 51% (DN 54%)
 - No oversight of insurance company practices – 39% (DN 29%)

- Least Strongly Agree

- People use services they don't need – 22% (DN 19%)
 - Not enough competition among insurers – 25% (DN 23%)
 - Insurance companies have to comply with too many government rules and regulations – 18% (DN 19%)

Reforming the Health System

- NFIB

- “Consumers should have many choices among insurers and providers. Policymakers must alleviate the limitations that state boundaries and treatment mandates place on competitiveness.”

- California Small Employers

- We could make insurance more affordable by...

- Strongly Agree

- Create standard benefit packages to make it easier to compare health plans – 48% (56%)
- Require insurers to spend a certain percentage of each premium dollar paying claims, rather than on marketing and other costs – 50% (53%)

- Sell plans that don't cover certain services, such as pharmacy or maternity, to keep the cost of insurance premiums affordable

- 21% Strongly Agree, 42% Somewhat Agree (DN 25%/45%)
- 34%% Somewhat or Strongly Disagree (DN 30%)



Reforming the Health System

- NFIB
 - “States have ways of adversely affecting the cost of health insurance by mandating health insurers to accept anyone who applies, regardless of their health status, known as “guaranteed issue.” Or they limit insurers’ ability to price a policy to accurately reflect the risk an applicant brings to the pool. Both...can have a devastating impact on the price of health insurance.”
- California Small Employers
 - Health insurance premiums should not vary depending on people’s health conditions
 - 58% Somewhat or Strongly Agree (DN 66%)
 - Have government monitor health insurance premium increases to see if they are justified
 - 57% Somewhat or Strongly Agree (DN 65%)
 - Increase deductibles and other out of pocket costs to keep people from seeking unnecessary services
 - 54% Somewhat or Strongly Disagree (DN 57%)



Reforming the Health System

- NFIB

- “To the greatest extent possible, Americans should receive their health insurance and healthcare through the private sector. Care must be taken to minimize the extent to which governmental safety nets crowd out private insurance and care.”

- California Small Employers

- Let businesses buy into public programs like Medicare and MediCal.
 - 60% Strongly or Somewhat Agree (DN 70%)

Final Thoughts – National Health Care Reform



- Health care reform is a major topic of discussion at the national levels.
- Most current proposals include requiring people who don't have insurance to purchase it on the non-group market.
- Research shows that the non-group market costs more and covers less, and charges those with pre-existing conditions unaffordable rates.
- National organizations that say they speak for small business do not represent the opinions of all small business people – small business opinion is not monolithic.
- It is important for these voices to be heard in the national debate.

Final Thoughts – State Level Activity

- California is currently considering legislation that would respond to some of the preferences expressed in this survey
 - AB 786 Insurance Market Standards
 - Would organize health insurance policies into coverage categories that would enable consumers to better track premiums, benefits, and cost sharing.
 - Would develop minimum benefit standards
 - SB 316 Capping Administration and Profit
 - Would require every insurer to spend at least 85 percent of premiums on patient care
 - AB 1218 Health Insurance Rate Approval
 - Requires health insurers to get approval for increases in premiums and cost-sharing

Final Thoughts



- Health care reform will affect you
- What can you do?
 - Find out what is happening
 - Look for organizations that represent your point of view
 - Call your legislators
 - Look for ways to get involved



For More Information

Contact

Carol Pryor

The Access Project

617-654-9911 x227

carol@accessproject.org

or

Bill Lottero

617-654-9911 x237

blottero@accessproject.org