



Attitudes of Business Leaders Regarding Health Care Coverage

*Key Findings from a Survey of Small, Medium and Large Businesses
Conducted by Public Opinion Strategies, Alexandria, VA*

September 2005

The Robert Wood Johnson Foundation commissioned a survey of business owners and persons in charge of health care benefits at American businesses that provide and pay at least some portion of health insurance benefits for full-time employees to determine attitudes and trends pertaining to health care coverage issues. The survey followed up on an earlier poll conducted for the Foundation in 2003. In instances when the questions asked of participants were identical in both surveys, results from February 2003 and July 2005 are compared.

Part I: The Health Care Environment for U.S. Business: 2003 vs. 2005

- There is a clear trend in which employees are paying a higher percentage for their own health insurance premiums, as well as for their dependents, with the increase being driven most by smaller businesses.

Average Percentage of Health Insurance Premiums that Employees Pay (for themselves and dependents)

	SELF			DEPENDENTS		
	<u>2/03</u>	<u>7/05</u>	<u>Net</u>	<u>2/03</u>	<u>7/05</u>	<u>Net</u>
Total	23%	29%	+6	31%	32%	+1
Small	18%	32%	+14	26%	39%	+13
Medium	24%	29%	+5	34%	34%	0
Large	24%	27%	+3	29%	29%	0

- Although businesses still report that they expect double-digit increases in their company's health care costs for 2006, the mean percentage increase is slightly lower than two years ago.

Average Percentage Increase in Company's Health Care Costs

	<u>2/03</u>	<u>7/05</u>	<u>Net</u>
Total	18%	12%	-6
Small	19%	16%	-3
Medium	20%	13%	-7
Large	16%	10%	-6

3. Business owners and benefits managers are clear in saying that they will continue to pass a portion of their company's increased health care costs on to their employees by requiring them to pay more in their premiums or co-pays or deductibles. Respondents who reported an expected increase in their health care costs for 2006 say they will pass on an average of 21% of the projected increase. This is consistent with the 2003 data.

Respondents who reported an expected increase in their health care costs for 2006 were asked:

Question: "...And thinking about this projected increase in your company's healthcare costs, if you just had to guess, what percent, if any, of this increase in healthcare costs would be passed onto your employees by requiring they pay more in premiums or for co-pays and deductibles?"

**Average Percentage of Projected Increase In Company's
Health Care Costs Passed To Employees**

Total	21%
Small	22%
Medium	21%
Large	20%

Part II: Business' Concern about Health Care Costs and the Uninsured

4. 'Making health care more affordable' remains the most important health care goal among businesses with more than half choosing this as the top health care goal in the country. Notably, businesses are more concerned about the cost of health care while a survey of all registered voters (national survey) shows that voters remain split between cost and coverage for the uninsured.

Most Important Health Care Goal

	<u>Businesses</u>	<u>Voters</u>
Making health care more affordable	53%	39%
Providing basic health insurance coverage to all Americans	25%	35%
Maintaining the high quality of American health care	12%	10%
Making sure people can select the doctor or hospital of their choice	4%	9%
Making sure the system allows the development and adoption of new medical technologies	1%	5%

5. Roughly eight out of ten (79%) businesses that report an expected increase in their health care costs say they are concerned about the ability of their employees to afford the projected increase.
6. And more than one-third (35%) of businesses that report an expected increase in their health care costs also say it is likely that their employees would consider dropping their health care coverage because of this increase in their out-of-pocket costs. Medium to smaller companies report a higher likelihood of their employees dropping coverage because of higher costs than large companies.

Likelihood of Employees Dropping Coverage - % Likely

Total	35%
Small	40%
Medium	37%
Large	27%

7. Consistent with voters nationally, a significant majority (71%) of business owners and benefit managers continue to believe that the number of uninsured Americans will increase over the next six months to a year. This trend continues in projections for the future with 73% of respondents saying the number of uninsured Americans will increase over the next five to ten years.
8. A majority of respondents (54%) believe that uninsured Americans are more likely to be employed people and people from families in which someone is employed.

Part III: Business' Reaction to Policy Proposals Regarding the Uninsured

9. Seven different policy proposals currently being discussed to help increase the number of Americans with health care coverage were read to survey participants. Although all seven tested well in terms of helping more Americans get health care coverage, when looking at the intensity of the individual ratings there were two proposals that clearly rose to the top:
- “Allowing the self-employed and small businesses to band together to purchase private health insurance at lower group rates” (with a majority of businesses saying this would help ‘a lot’); and
 - “Providing tax incentives for small businesses to encourage them to provide health care coverage for their employees” (with four out of ten businesses saying this would help ‘a lot’).

Question: “Now, I am going to read you a series of different proposals being discussed to help increase the number of Americans with health care coverage. After I read each proposal, please tell me how much you think this particular proposal would do to help increase the number of Americans with health coverage? Do you think it would help... a lot, some, not too much, or not at all?”

The table below shows all of the proposals tested:

Summary of Proposals: Ranked By % “Would Help A Lot”

PROPOSAL	<u>% A LOT</u>	<u>% A LOT/SOME</u>
Allowing the self-employed and small businesses to band together to purchase private health insurance at lower group rates.	53%	91%
Providing tax incentives for small businesses to encourage them to provide health care coverage for their employees.	41%	86%
Increasing federal funding for community health centers, which provide primary and preventive services for people living in communities that have limited or no medical service.	29%	78%
Enrolling the nearly fourteen million Americans whom are eligible for government-funded health care programs but do not currently participate in them.	27%	72%
Providing for a limited expansion of Medicaid coverage – which currently covers only the poorest Americans – to include more lower income Americans for whom private insurance remains unaffordable.	26%	72%
Providing tax credits for low-income Americans to help them afford the cost of private health insurance.	23%	62%
Allowing Americans to set up tax-free health savings accounts to help them buy private health insurance.	21%	65%

Notably, there is a difference by company size in how respondents rate three of the seven proposals, with smaller and medium sized businesses being more likely to say these proposals would help ‘a lot’ to increase the number of Americans with health care coverage.

**Summary of Proposals That Differ By Company Size:
Ranked by % “Would Help A Lot”**

	<u>Small</u>	<u>Medium</u>	<u>Large</u>
Allowing the self-employed and small businesses to band together to purchase private health insurance at lower group rates	63%	58%	46%
Providing tax incentives for small businesses to encourage them to provide health care coverage for their employees.	51%	47%	32%
Allowing Americans to set up tax-free health savings accounts to help them buy private health insurance.	31%	22%	17%

When asked to choose the one or two proposals of the seven that they believe would help the most to increase the number of Americans with health coverage and the one or two proposals they believe businesses would be most likely to support, the top choices continue to support allowing small businesses to band together and providing tax incentives.

Part IV: Anecdotes: How the Health Care Environment is Affecting Companies

Looking at trends in answers to open-ended questions

10. When asked an open-ended question about the impact of the uninsured on America's businesses, the main impact that respondents see of the uninsured on American businesses is an increase in cost. They see this cost exhibited in three major ways: (1) increasing health insurance costs, (2) increasing costs of health care services, and (3) increases in taxes.
- There is not a significant difference by company size, consistent with the 2003 survey. There are a few things of note, however, that small companies and medium sized businesses often mention, but which are not likely to be mentioned by large businesses:
 - Smaller businesses are more likely to mention having employees who are uninsured, which, they say, tends to lower employee morale and ultimately decreases productivity.
 - Smaller and medium-sized businesses frequently mention the loss of productivity caused by employees being sick more often because they cannot afford preventative treatments or medications to combat illnesses. Respondents from smaller businesses perceive these decreases in productivity as another way in which the uninsured increase costs to America's businesses.
11. Respondents from smaller businesses also mention that not being able to offer health insurance puts their company at a disadvantage when looking to hire new employees. When asked to speculate on the one or two most important changes regarding health insurance benefits in the next five to ten years, respondents say that health care costs will continue to increase at a rate that, if not resolved, will result in too many Americans being unable to afford health care coverage. Some respondents say that this will result in the U.S. having to adopt a nationalized/socialized government health care plan to provide universal coverage to all Americans.

Differences by Company Size:

- Smaller companies worry that they will not be able to provide health insurance to their employees in five to ten years. They also mention a need for prices to become more affordable, and if prices do not decline, they expect to see a reduction in quality of service and an increase in the number of uninsured Americans.
- Medium sized companies foresee small businesses not being able to provide health insurance to their employees and an increase in medium to larger companies defraying more of the cost to the employee. Some respondents expect to see a more "consumer-driven" form of health care.

- Large businesses focus on annual increases in the costs of coverage. These respondents expect health care to become more consumer-driven through an increase in choices and flexibility, with employees selecting portions of a health plan to buy into to cover services they expect to need. They also expect to see health savings accounts become the norm. Some respondents mention that they expect the system to revert back to that of decades in the past when only medical catastrophes were covered by health insurance.
12. When asked what, if anything, their company has done that they believe has been successful in helping to reduce the misuse of health care services or reduce health care costs, there is a sharp divide based on company size. Smaller to medium-sized companies focus on shopping around for the best deal on the type of health plan they offer, while larger businesses focus on limiting misuse and lowering costs by establishing employee reward programs, wellness or disease management programs, increasing deductibles and co-pays, and self-insuring.
13. Looking ahead to the next five years and how to reduce misuse and cost, there is a clear focus on consumer driven health care plans across companies of all sizes.
- Among respondents from small businesses that are planning to implement changes, the most common change mentioned is to “shop around” before renewing a health care contract. Another frequent response is to implement health savings accounts.
 - Medium-sized businesses surveyed overwhelmingly mention utilizing health savings accounts. Frequently, they also mention wellness programs, turning to consumer-directed health plans, and employee education. Large businesses mention implementing standardized health care programs. The most frequent ways to reduce costs and misuse they cite is to initiate disease management and wellness programs, increase education and health awareness, utilize health savings accounts, and move to consumer-driven health care plans. Whereas respondents from small businesses mention “shopping around” for a better health plan, respondents from large businesses frequently mention major “changes in plan design.”

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METHODOLOGY:

Public Opinion Strategies (POS) conducted a national survey of 635 business leaders whose companies provide and pay at least some portion of health insurance benefits for coverage of full-time employees. POS conducted 212 interviews with small businesses (companies with 3-49 employees), 218 interviews with medium businesses (companies with 50-4,999 employees), and 205 interviews with large businesses (companies with 5,000 or more employees).

This July 2005 survey is the second survey of business leaders that Public Opinion Strategies has conducted on behalf of the Robert Wood Johnson Foundation. The previous survey was conducted January 24-February 13, 2003, among 602 business leaders.

To report an overall total result for American businesses, the 635 interviews were weighted to account for the actual number of lives these companies insure. Small businesses represent 19% of insured employees, medium businesses represent 40% of insured employees and large businesses represent 41% of insured employees. Therefore, the 635 interviews were weighted to account for the actual number of employees covered. For example, this means that the 212 interviews of small businesses was weighted down to represent 19% of the overall sample, while the 205 interviews with large businesses was weighted to represent 41% of the overall sample.

However, when the results are reported by size of business (small, medium, large) they are based on the number of interviews completed among each audience un-weighted.

The survey was conducted July 12-31, 2005. The margin of error for a sample size of 635 is $\pm 3.89\%$.