

Employers wary of federal health care reforms – Primary concern is cost

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Employers strongly reject forced purchasing through Health Insurance Exchanges

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Between May 21 and June 30, 2009, the authors surveyed employers across the United States concerning various options for health reform currently under consideration by Congress. The authors contracted with TRL Consulting LLC,² a St. Paul, MN actuarial firm, to analyze results and recommend conclusions.

1,205 employers responded, with 1,011 respondents completing the survey which also had consistent responses, for an 84 percent validation rate. The survey contained 42 questions, and was presented online using ContantContact.com to administer and collect data. Respondents were allowed to add written comments on many of the questions.

Among the validated respondents, business owners represented the largest cohort – approximately 40 percent. When combined with CFOs, COOs, and CEOs, the senior leadership cohort equaled about 58 percent of survey respondents. More than 75 percent of the represented companies have been in business more than 10 years. The survey population represents about 210,000 employees in 41 states. These were primarily professional services, service businesses, and manufacturers.

Respondents learned of the survey when contacted via email from several different sources. These included professional health insurance agents, providers, employer groups, or from online blogs and magazine articles. This method of contacting potential respondents created a higher-than-average rate response from employers that offer health insurance when compared to the general population. Yet, using this method to contact respondents also served to increase the survey's value by testing the attitudes of those who have consistently invested in the health care benefit system.

EMPLOYERS' PRIMARY CONCERN IS COST

Approximately 76 percent of respondents believe the most important health reform need is to reduce the cost of health care. Only 12 percent believe quality is the most important, while seven percent saw reducing the uninsured rate as a priority. The remaining five percent of respondents expressed other concerns as most critical.

EMPLOYER-PROVIDED HEALTH BENEFITS

More than 90 percent of respondents offer health insurance to full-time employees. Fifteen percent offer health benefits to part-time employees. Six respondents mentioned that when they provide a cash payment to employees in the hope that employees will use it to purchase health insurance, the

Employers most critical concern about health care

76 percent - Reducing the cost of health care

12 percent - Improving health care quality

7 percent - Reducing the uninsured rate

5 percent - Other concerns

Question	Response
Offer group insurance to full time employees?	90% YES
Government-designed health plan?	95% NO
Retain employer choice of health plans?	95% YES
Buying insurance through insurance exchange?	91% NO
Gov't health plan to compete with private ins.?	88% NO
Federally-mandated insurance?	75% NO
Tax increase to pay for health reform?	65% NO
Retain and expand HSAs?	60% YES
Report enrollment statistics to federal govt?	75% NO
Government sets monthly premium rates?	86% NO
Withhold premiums for mandatory health plan?	71% NO
Government should enforce a mandate?	30% YES

employer does not consider it the same as providing a health benefit to that employee.

SOME COVER TEMPORARY AND SEASONAL EMPLOYEES

Approximately 40 percent of respondents employ temporary and seasonal employees, but many of these employees are provided by temporary employment services, many of which offer their own health benefit.

Although we did not measure this, experience has shown that a number of these temporary-seasonal workers receive their health benefit from a spouse that has full-time work elsewhere – they are not uninsured, they are insured under a spouse's coverage. We believe it would be of value to measure this question in a future survey.

DROP RATE OF COVERAGE IS LOW

The drop rate of insurance coverage remains very low. Ten percent of respondents' companies do not offer health insur-

ance. Four percent of respondents that previously offered health insurance have dropped it in the last five years, for a dropout rate of 0.8% per year during the past five years. This is significant because as in earlier surveys, it clearly shows that employers which offer health insurance seldom drop their coverage.

HEALTH SAVINGS ACCOUNTS (HSAs) ARE GROWING IN PERCEIVED VALUE

Approximately half of the respondents currently offer an HSA to employees. Yet, 60 percent believe that retaining or expanding the use of HSAs is very or extremely important.

FINDINGS ON MANDATED COVERAGE

Mandating coverage to achieve universal health insurance is an undesirable option for a large majority of respondents. Approximately 70 percent oppose a specific or general mandate, with 75 percent of business owners in opposition.

Approximately 90 percent of respondents oppose allowing the government to design the mandatory health plan should Congress pass a mandate. More than 95 percent of owners oppose a government-designed mandatory health plan.

More than 95 percent of respondents want to retain their ability to offer insurance options even if government mandates coverage. Nearly 86 percent of owners object to allowing the government to set monthly premium rates, and more than 75 percent of owners oppose being responsible to report insurance enrollment statistics to the government. Moreover, 87 percent oppose being forced to pay premium on behalf of employees for plans designed and priced by the government.

A large majority – 71 percent – would not want to withhold money from employees (garnish their wages) to pay mandatory health premiums; we found it instructive that 28 percent do agree with this idea. We speculate that this latter reflects the views of Human Resource and Payroll Managers, as opposed to owners, but the data does not clearly differentiate. We believe the difference in attitudes of owner/top managers and HR managers should be further tested and compared.

When the mandate is tied to the idea of a Health Insurance Exchange, through which employers would be required to purchase insurance, nearly 91 percent oppose being required to purchase coverage through the Exchange.

ENFORCEMENT DISCONNECT

If government chooses to mandate coverage, only 30 percent of respondents want the government to enforce the mandate. Though the survey did not specifically test the expectation of the rate of mandate compliance, it is instructive that nearly 70 percent of respondents expressed no desire to have the government actually enforce it. This may indicate that respondents have very little confidence that government can devise

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any effective, non-invasive enforcement procedures. This possible conclusion deserves further testing.

EXPANDING MEDICARE AND PROVIDING COVERAGE FOR LOW INCOME INDIVIDUALS

Nearly 88 percent of owners, and 80 percent of all respondents, oppose expanding Medicare (government health plan to compete with private health plans) as a reform option.

About 50 percent of respondents reject the idea of subsidizing their low-income employees' insurance premiums with government money. Yet other findings in this survey indicate that 70-90 percent of employers reject direct government involvement through mandates, premiums, and plan design. If there is a mandate, 50 percent are more willing to allow government to provide a premium subsidy.

About 75 percent of employers want nothing to do with helping to enroll low-income employees into government health plans for which they qualify. The 25 percent who may be willing could reflect the views of HR and payroll management employee respondents whose job descriptions include resolving these types of issues.

TAXES TO PAY FOR REFORM

Nearly 65 percent of owners reject a tax increase of any type to pay for health system fixes, while about half of all survey respondents reject all tax increases. We suggest that owners may better understand that they will be the targets of those increased taxes, providing additional motivation to reject them. More than 14 percent of respondents indicated they could support a combination of types of taxes, while 7.2 percent would support a health care provider tax (taxes on health care as it is provided).

PREMIUM RATES AND LIFESTYLE CHOICES

We asked whether lifestyle should be taken into account in setting insurance rates. More than 87 percent indicate that lifestyle choices should play a role in setting insurance premiums. We speculate that the 12.4 percent who believe that lifestyle should be ignored may be smokers or practice other risky behaviors, but we did not specifically test for this.

Eighty-one percent believed that people who can demonstrate that they practice a healthy lifestyle should be allowed to pay a lower premium than those who live risky lifestyles.

On the other side of this question, 81 percent believed that people who can demonstrate that they practice a healthy lifestyle should be allowed to pay a lower premium than those who live risky lifestyles.

A NOTE ON FINANCIAL SERVICE PROVIDERS

Although this cohort was not large enough from which to generalize to a broader population, those respondents who indicated they work in the financial service industry tended to support an insurance mandate at a higher rate than those in other types of businesses. Financial service providers, however also opposed increasing government's role in the design and distribution of health insurance. Compared to non-financial service employers, those in the financial service industry prefer to see more individuals and businesses purchase and maintain ownership of health insurance, even if it takes a government mandate to do so. But, they do not want government interference in pricing, benefit setting, or other direct involvement in their relationship with clients.

CONCLUSIONS

"When do I get my stimulus check?" one sarcastic or perhaps frustrated employer asked.

This survey primarily tested the attitudes of employers that offer a health benefit to their employees (90 percent). They like this system, and do not want government to interfere with it. They want government to help find ways to reduce the cost of care, not change it or meddle with the provision or sale of health insurance.

A statistically insignificant .8% of employers per year have dropped coverage during the past five years. This is a strong

"The government is not responsible for medical coverage. There are insurance companies that are in business to handle this commodity. [Government should] fix the roads – insure the safety of our borders and water. Leave the rest to us the citizens," an employer commented.

indication that allowing the private insurance market to create new products and services will do more to keep people insured than to increase the role of government through mandates, subsidies, government health plans, or government insurance purchasing organizations.

Employers recognize that compliance, withholding, enrollment, and other potential requirements that flow from government-directed health reform will cost money and interfere with their businesses. They want relief, not more regulations and requirements.

Even when they recognize that an insurance mandate may become law, employers have very little confidence that government can or will enforce it. Employers see no cost relief as a result of mandating coverage.

Employers, through their investment in HSA-compliant health plans, and their strong support for expanding them, imply a preference for market-based cost solutions, rather than central government planning.

Furthermore, employers suggest that current government efforts to reform health care are overreaching, and threaten to damage the economy.

"A government mandate is a bad idea. It is too expensive, it will not be more efficient than the current system, and many, many jobs will be lost/eliminated if put into effect. US citizens currently have choices and our citizens need to be allowed to make choices, whether to carry insurance or not, and if so, what type of plan works best for each individual. Health providers, insurance companies, and consumers need to work in concert to keep costs in check, determine services, and coverage," one employer commented.

¹ Greg Dattilo, CEBS, and Dave Racer, MLitt are co-authors of *Your Health Matters, FACTS: Not Fiction, Why health care costs so much: The Solution - Consumers, and Why health care costs so much: The Solution - Government's Role*. For further information email alethospress@comcast.net, or call 651.340.1911.

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² TRL Consulting, LLC, provides actuarial, financial and Human Resources Consulting. Its Principal is Timothy R. Leier, a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. He certifies the application of standard statistical principles in the analysis of the data presented herein, and his conclusions are consistent with the questions asked and responses received.