

SMALL BUSINESS HEALTH CARE NETWORK SURVEY 2006

Universal Health Care Foundation of Connecticut

Executive Summary

In early 2006, the Universal Health Care Foundation of Connecticut (UHCF) Small Business Health Care Network conducted a survey of 806 small businesses to understand their practices, concerns and attitudes regarding health care coverage. This report summarizes the survey findings.

Employer-sponsored health insurance (ESI) offer rates* were affected by the following characteristics:

- Firms with 6-10 employees were significantly less likely to offer ESI than firms with 11-100 employees.
- Firms earning \$500,000 or less and firms earning \$500,000 to \$1 million were significantly less likely to offer ESI than firms earning more.
- The offer rate of firms in the service industry (81.8 percent) was lower than the offer rate of all firms (88.2 percent).

ESI plan characteristics among ESI-offering firms were distinct:

- Permanent and full-time employees were eligible for coverage.
- Most (75.9 percent) covered more than half of the employee premium.
- Fewer than half (42.0 percent) of those that also provided dependent coverage did not cover any of the dependent premium.
- Most included prescription (95.6 percent) and/or mental health (77.5 percent) coverage.
- Fewer than half included dental (45.6 percent) and/or eye care (47.1 percent) coverage.

Lack of affordability prevented firms from offering ESI and cost will need to decrease for them to offer ESI in the future:

- Most firms (78.0 percent) that did not offer ESI cited the inability of the business to afford the cost of coverage and more than one-third (39.0 percent) cited the inability of the employees to afford coverage as primary reasons not to offer ESI.
- The majority of firms (61.5 percent) that did not offer ESI indicated they wanted to provide coverage in the future.
- To consider providing coverage, most firms that did not offer ESI (87.5 percent) indicated that the cost to the employer needed to go down and fewer than half (47.5 percent) indicated that the cost to the employee needed to go down.

The provision of health insurance is an important business challenge:

Most small business owners (80.4 percent) believe that all persons in the United States should have access to health care, regardless of their ability to pay.

- More than half of small business owners (52.5 percent) reported the provision of health insurance as one of the primary challenges facing their business.
- One in nine small business owners (11.5 percent) reported the provision of health insurance as the single biggest business challenge.
- Most small business owners (95.9 percent) regarded the ability to provide health insurance as an important business issue.

Owners of small businesses earning \$1 million or less were significantly less likely than owners of small businesses earning \$1 million or more to:

- identify the employer as the entity that should pay the majority of health care costs, and
- prefer to purchase health insurance from a private business entity.

Owners of small businesses earning \$1 million or less were significantly more likely than owners of small businesses earning \$1 million or more to:

- identify the government as the entity that should pay the majority of health care costs, and
- prefer to purchase health insurance from the government.

Most small business owners (97.0 percent) have personal health coverage and the majority of those who do (69.2 percent) purchase it through their company plan.

*Offer rate is the proportion of firms providing ESI.

Introduction

The business sector plays an essential role in our predominantly employer-based health care insurance system. Understanding the health care needs of the business community is crucial to forge a health care system that works. In early 2006, the Universal Health Care Foundation of Connecticut (UHCF) Small Business Health Care Network conducted a survey of its small business membership to understand its practices, concerns and attitudes regarding health care coverage. This report summarizes the survey findings.

Background

There are few statistics describing the practices and opinions of Connecticut small business owners regarding employer-sponsored health insurance (ESI). A survey of small business employers (with two to 300 employees) conducted by the Connecticut Office of Health Care Access (OHCA) found that the proportion of firms providing employer-sponsored insurance (“offer rate”) was influenced by firm size, annual gross revenue, and type of business or industry¹. This November 2004 study reported that firms with fewer than five employees, those with annual gross revenues of less than \$500,000, and those in the service or retail trades were most likely to not offer coverage.

Results published by the Agency for Healthcare Research and Quality in July 2005 indicated that Connecticut firms with fewer than 50 employees had lower offer rates than Connecticut firms with 50 or more employees². The national 2005 Annual Survey of Employer Health Benefits by the Kaiser Family Foundation and Health Research and Educational Trust reported that offer rates for firms with fewer than 200 employees were significantly less than for firms with 200 or more employees³. Research to date indicates that within Connecticut, as well as across the United States, smaller business employers are less likely to offer health insurance than larger ones.

A September 2005 Robert Wood Johnson Foundation study reported that business leaders were more concerned about making health care more affordable than they were about providing basic health insurance coverage to all Americans⁴. In this survey, business leaders of smaller companies (with two to 49 employees) in the United States worried that they would not be able to provide health insurance to their employees in

five to ten years. In contrast, medium and large sized companies (50 to 4,999 employees and 5,000 or more employees) reported greater concern for the need to defer cost increases to employees rather than dropping coverage altogether.

Small Business Definition

The definition of small business varies by agency. The United States Small Business Administration represents businesses with fewer than 500 employees. Connecticut businesses with between two and 50 employees are eligible for the Municipal Employees Health Insurance Program (MEHIP) administered by the Office of the State Comptroller. Research conducted by the Connecticut Office of Health Care Access includes businesses with two to 300 employees in their small business samples.

For the purposes of this research survey, small business is defined as a firm that employs 100 or fewer workers.

Universal Health Care Foundation of Connecticut (UHCF)

The Universal Health Care Foundation of Connecticut is an independent, charitable grantmaking organization dedicated to making the health care system work for all Connecticut residents. The Foundation is making strategic grants, forging partnerships, commissioning key research and fostering data-driven policymaking in the effort to guarantee universal access to quality health care.

UHCF Small Business Health Care Network

Recognizing that the small business community is especially hard hit by the failings of the health care system, the Foundation created the Small Business Health Care Network, a geographically diverse group of Connecticut business associations and chambers of commerce. By informing small businesses about health care options, investigating issues of access and affordability, and helping to connect business leaders with other leaders in the community, the Network is dedicated to building strong support and initiative in the effort to achieve health care for everyone.

Research Population

This survey was conducted by the Foundation in partnership with the following members of the UHCF Small Business Health Care Network: Bridgeport Regional Business Council, Business Council of Fairfield County, Chamber of Commerce of Eastern Connecticut, Greater Bristol Chamber of Commerce, Greater New Haven Business and Professional Association, Greater New Haven Chamber of Commerce, Greater Waterbury Black Business Association, National Association of Women Business Owners – CT, and the Waterbury Regional Chamber of Commerce, and three non-members: Connecticut Minority Supplier Development Council, Connecticut Society of Certified Public Accountants (CPAs) and Permanent Commission on the Status of Women.

In general, the UHCF Small Business Health Care Network engages businesses with 100 or fewer employees.

Survey Administration

Survey materials were distributed by U.S. mail and/or the Internet. All Small Business Health Care Surveys were self-administered. They were completed on paper and returned to the UHCF in a self-addressed postage paid envelope or were completed through an on-line survey agent (Survey Monkey). All surveys received by March 7, 2006 were collected, their responses were universally coded, and the resulting data were double-key punched into a database. The surveys were analyzed using SPSS, a statistical software package.

Final Sample

The final analytical sample was composed of 165 online respondents and 641 mail respondents yielding a total of 806 respondents.

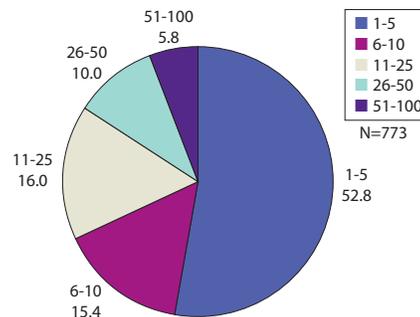
Key Research Findings

Demographics of Sample

Firm size

More than half of the survey respondents (52.8 percent) represented businesses with 1-5 employees while the remaining 47.2 percent represented businesses with 6-100 employees (Figure 1).

Figure 1: Firm size (number of employees)



Firm location

The respondents' business locations were distributed throughout the five major U.S. Census Bureau New England City and Town Areas (NECTA) in Connecticut. Businesses with 1-5 employees and those with 6-100 employees were also well distributed geographically (Figures 2 and 3 respectively).

Figure 2: Location of firms (1-5 employees)

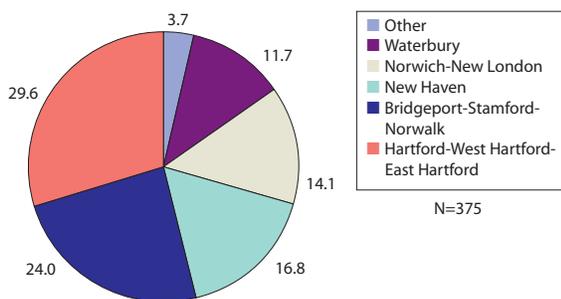
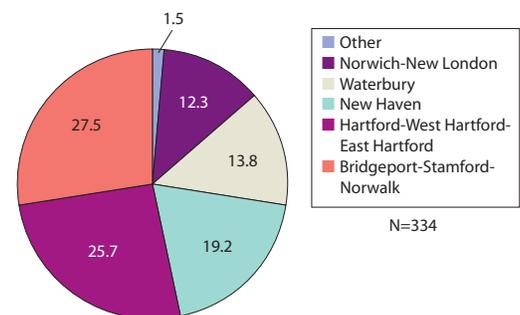


Figure 3: Location of firms (6-100 employees)



Annual gross revenue

The majority of firms with 6-100 employees (66.0 percent) reported annual gross revenues above \$1 million, while the overwhelming majority of firms with 1-5 employees (84.5 percent) reported annual gross revenues below \$500,000 (Figure 4).

Business type

The distribution of business type by industry varied. However, “Service” represented the largest segment of both the 1-5 and 6-100 employee number categories (Figure 5).

Figure 4: Portion of firms by annual gross revenue

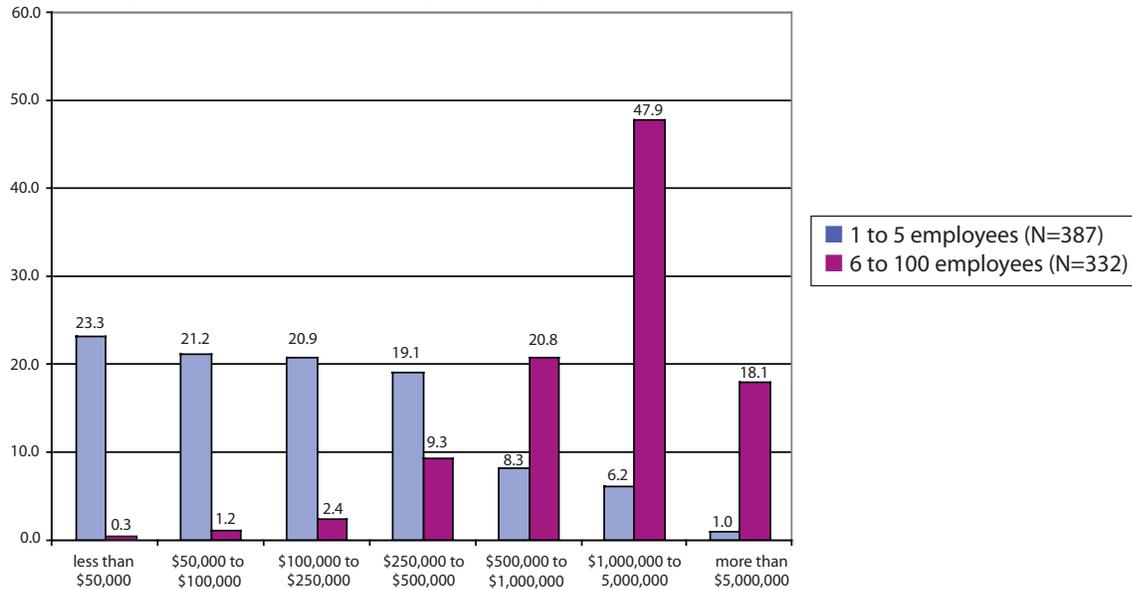
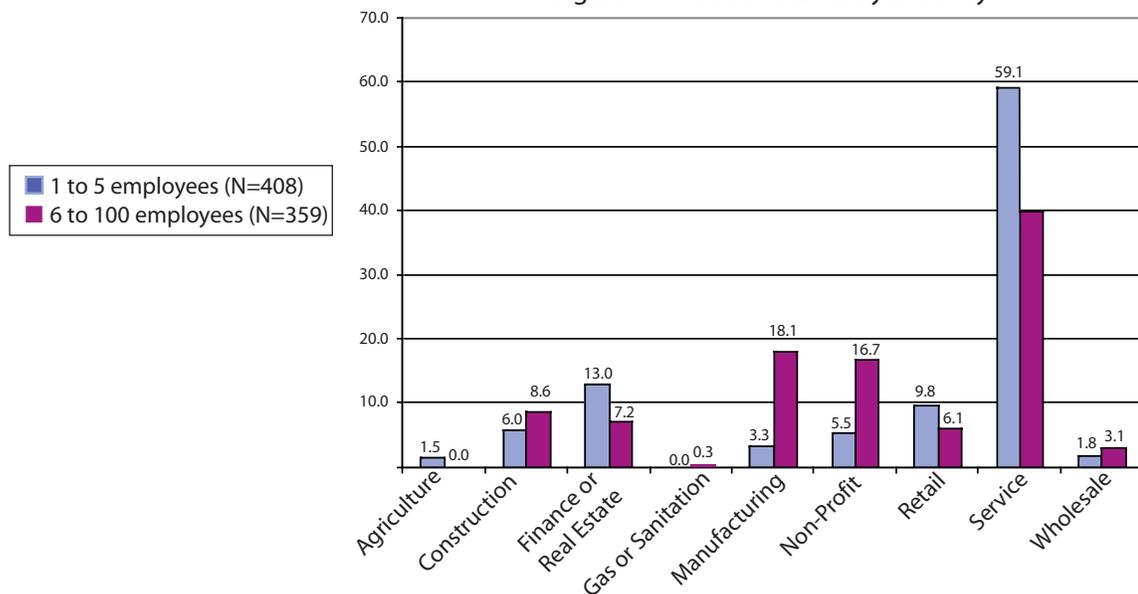


Figure 5: Portion of firms by industry



Factors affecting ESI offer rate

Most small businesses (88.2 percent) offered health benefits to their employees and most of those (90.4 percent or 79.7 percent overall) included benefits for dependents (Figure 6). Firm size, annual gross revenue, and type of business affected the ESI offer rate.

Firm size

Firms with 6-10 employees had a significantly lower offer rate than firms with 11-100 employees ($p=0.001$; Figure 7). Although complicated by the inclusion of sole proprietors, firms with 1-5 employees, who have been excluded from the analysis of ESI and offer rate characteristics, did have a significantly lower offer rate than firms with 6-10 employees ($p=0.001$).

Figure 6: Firms offering ESI

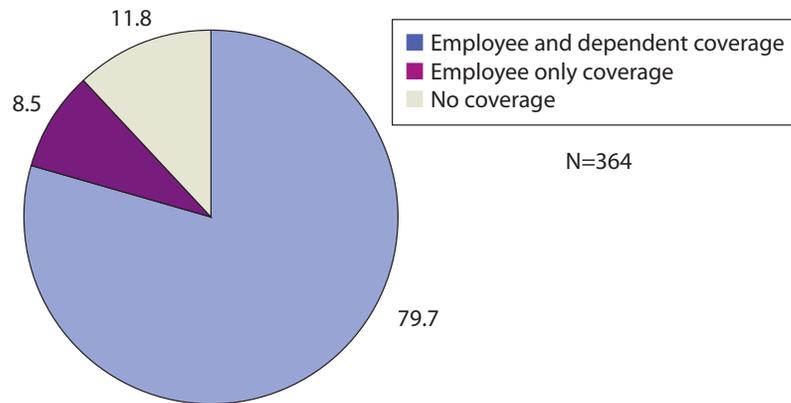
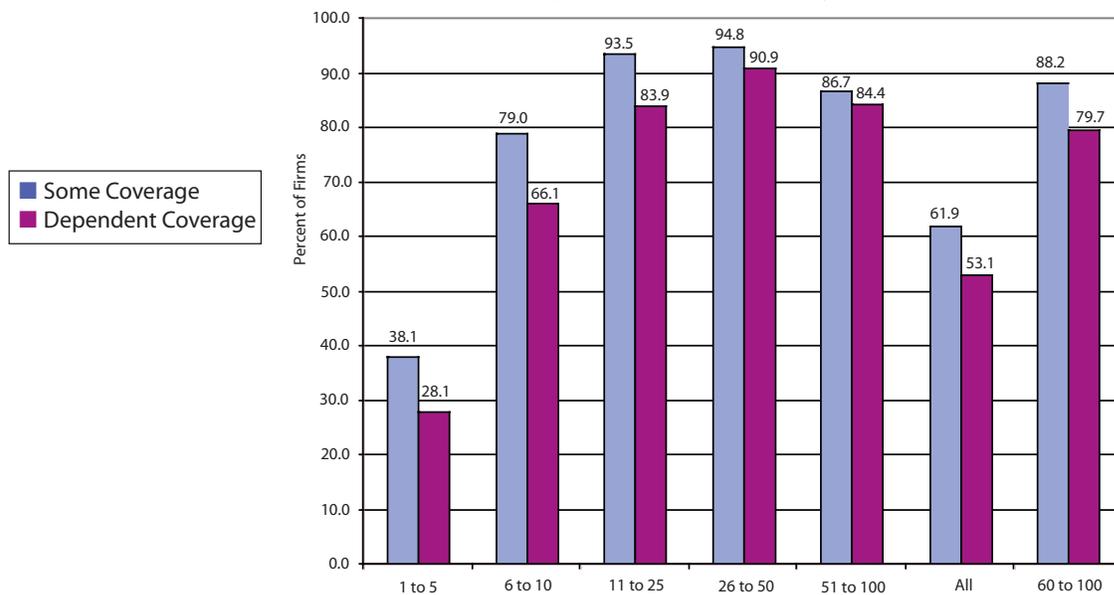


Figure 7: ESI offer rates by firm size



Annual gross revenue

Firms with annual gross revenues of \$500,000 or less were significantly less likely to offer ESI than firms with annual gross revenues of \$500,000 or more ($p < 0.001$; Figure 8). Firms with annual gross revenues of \$500,000 to \$1 million were significantly less likely to offer ESI than firms with annual gross revenues of \$1 million or more ($p < 0.001$).

Business type

Firms in the service industry, which comprise 39.8 percent of the sample, had an offer rate of 81.8 percent; the overall offer rate, including all industries, was 88.2 percent (Figure 9).

Figure 8: ESI offer rates by annual gross revenue

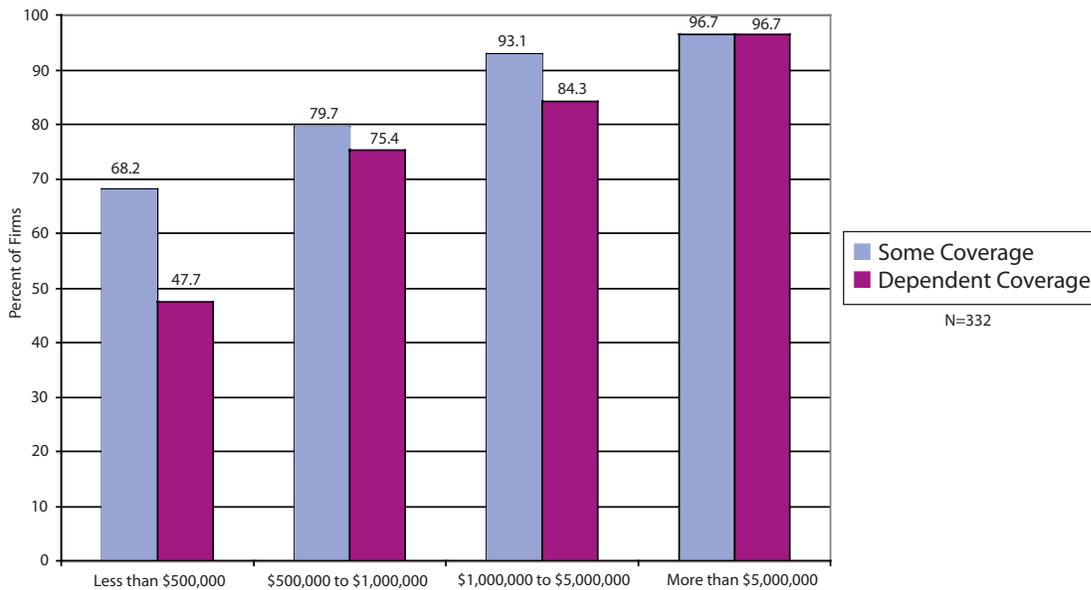
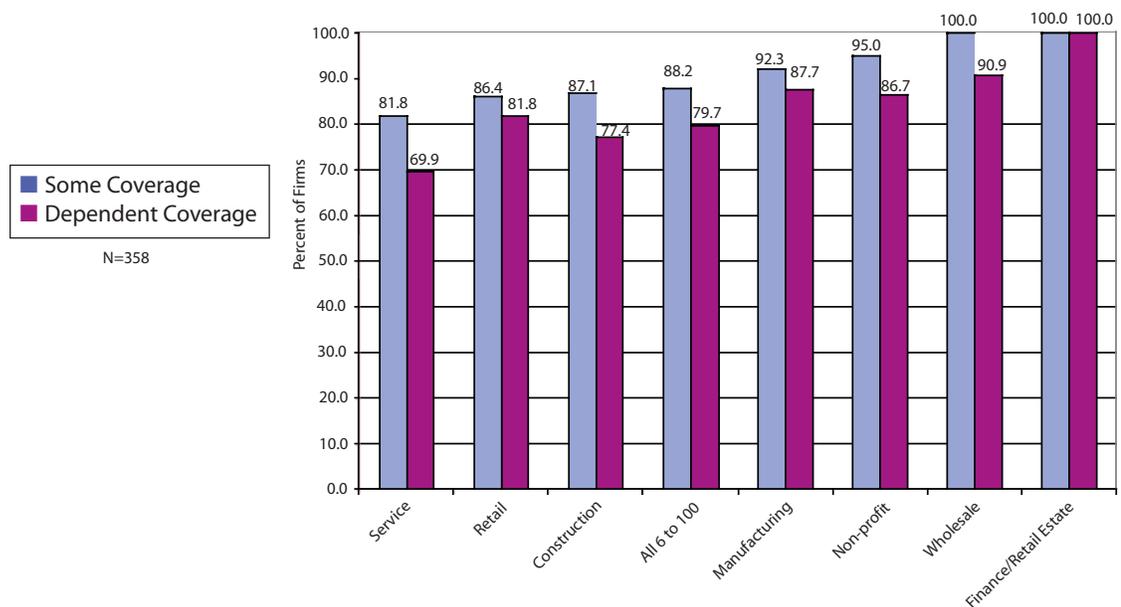


Figure 9: ESI offer rates by industry

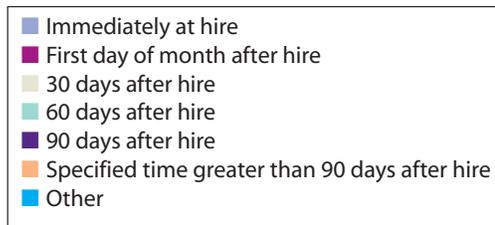


ESI characteristics of offering firms

ESI coverage characteristics varied greatly by eligibility criteria, percent of premium paid by employer, policy characteristics, and enrollment rate.

Eligibility criteria

Most firms (81.4 percent; N=311) restricted ESI to full-time employees while 18.0 percent offered ESI to both full-time and part-time employees. The time required from employment to ESI eligibility varied from immediate coverage at hire to more than a 90 day waiting period; almost half of firms (48.3 percent) required “90 days of employment” before eligibility began (Figure 10).



N=315

Premium contribution

Of the firms offering ESI, most (75.9 percent) covered more than 50 percent of the monthly premium for their employees. Of those also providing dependent coverage, almost half (42.0 percent) did not cover any of the dependent monthly premium cost (Figure 11). The average monthly premium firm contribution was 75.0 percent for employee coverage and 44.3 percent for dependent coverage.

Figure 10: ESI eligibility

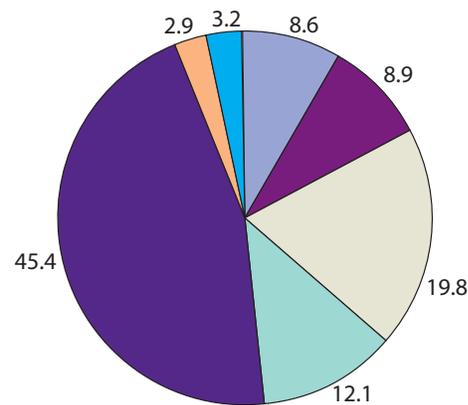
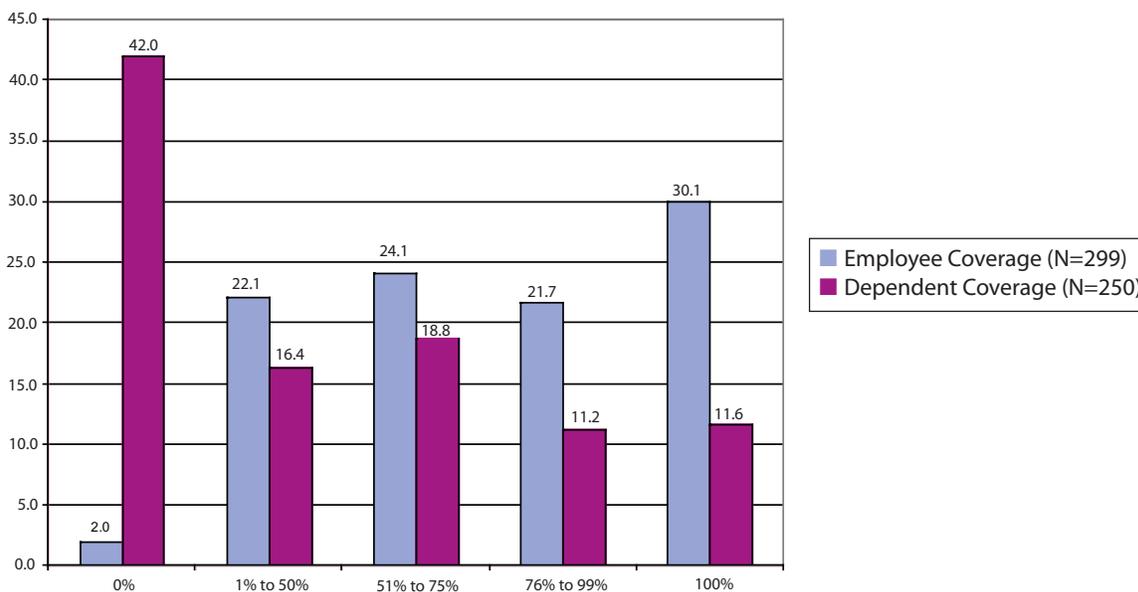


Figure 11: Portion of Premium paid by firm



Policy characteristics

Most ESI-offering firms provided prescription drug coverage (95.6 percent) and, to a lesser extent, mental health coverage (77.5 percent). Fewer than half of ESI-offering firms provided dental and/or eye care coverage (45.6 and 47.1 percents respectively; Figure 12).

Enrollment rates

The average percent of eligible employees that enrolled in the ESI offered by firms was 74.5 percent (range 0-100 percent; N=306).

Characteristics of firms not offering ESI

Small business owners reported cost and affordability as the primary reasons preventing them from providing ESI.

Primary reasons for firm not to offer ESI

The overwhelming majority of firms (78.0 percent) that did not offer ESI reported that a primary reason for not doing so was that the business could not afford it (Figure 13). Over one-third of respondents (39.0 percent) indicated that the employees could not afford ESI as a primary reason preventing them from offering ESI.

Want to provide ESI

While the majority of firms (61.5 percent; N=39) that did not offer ESI wanted to provide coverage in the future, one-quarter (25.6 percent) did not know if they did. Just over one-eighth (12.8 percent) did not want to provide coverage in the future.

Figure 12: ESI plan characteristics

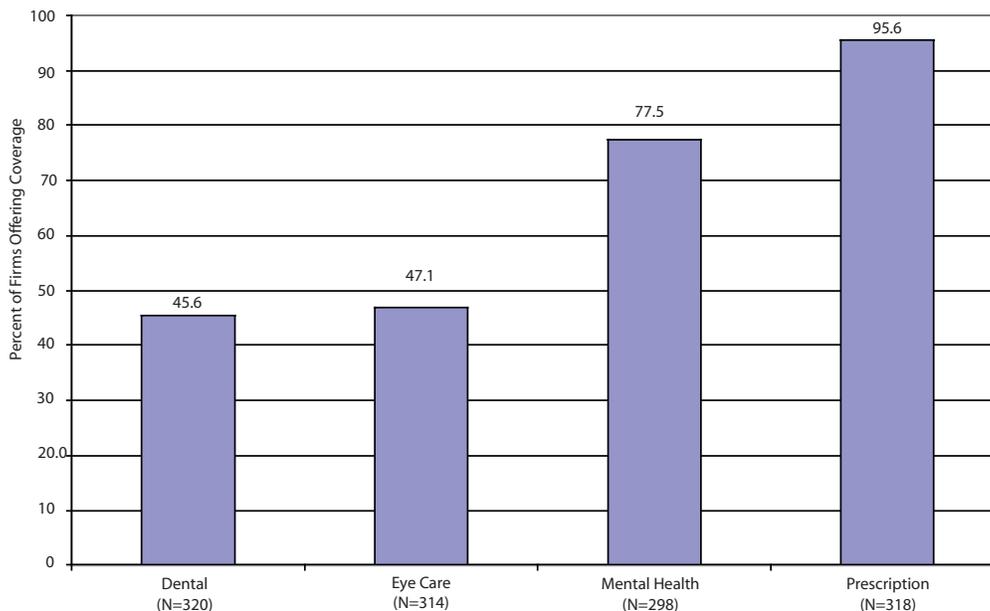
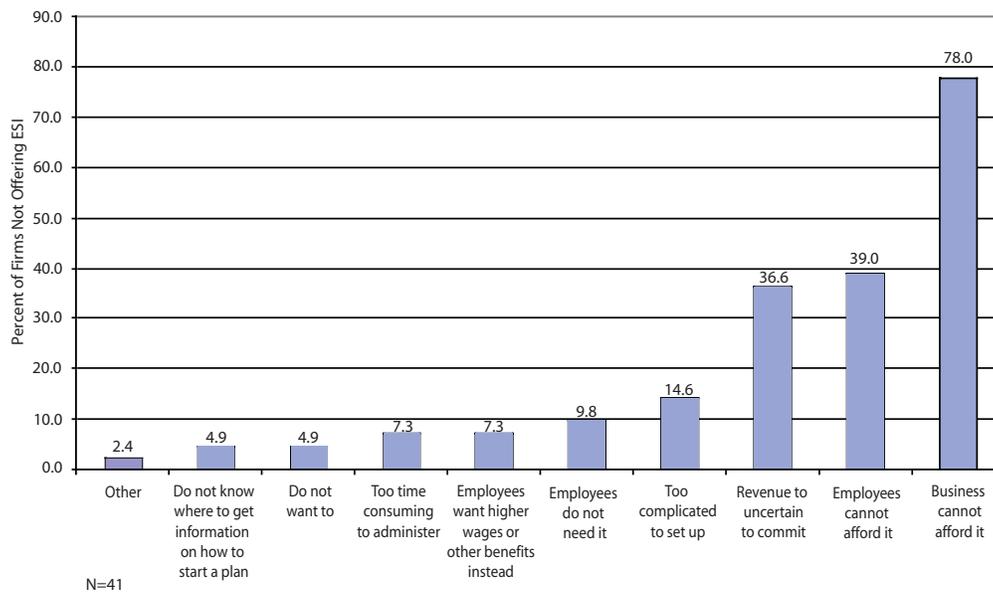


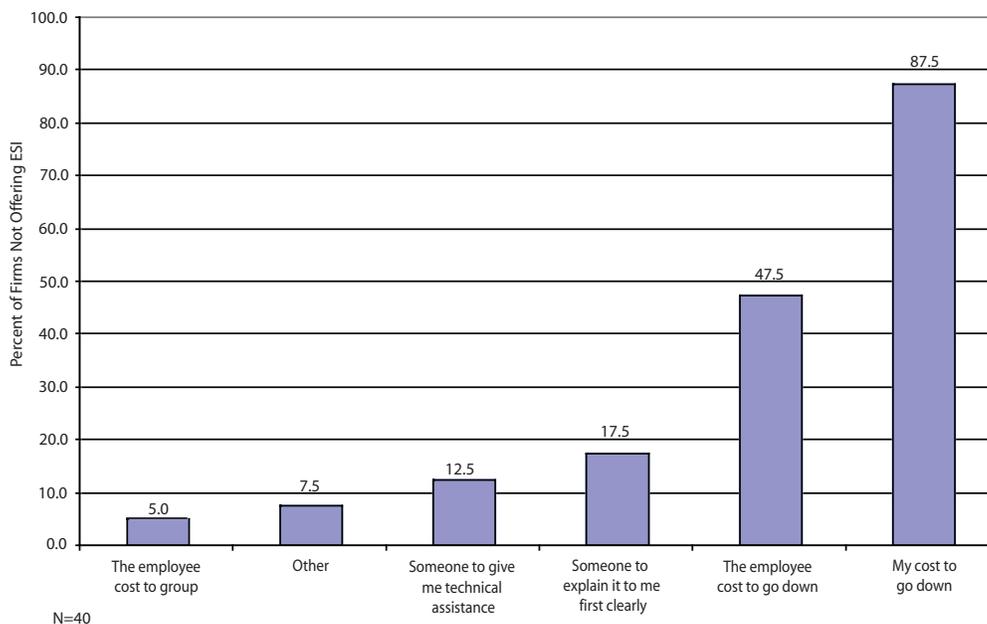
Figure 13: Reasons firms do not offer ESI



Factors that need to change to offer ESI

The overwhelming majority of firms (87.5 percent) that did not offer ESI reported that the cost to the business would have to decrease in order for the firm to consider offering coverage in the future (Figure 14). The need for the employee cost to go down was the second most reported condition (47.5 percent) needed in order for firms to consider providing coverage.

Figure 14: Factors that need to change for firms to offer ESI



Business challenges

Providing health insurance is an important business issue and one of the biggest challenges for most small businesses.

The largest challenges

More than half of small business owners (52.5 percent) reported “providing affordable health insurance to my employees” as one of the three biggest challenges facing their business (Figure 15). More than ten percent (11.5 percent) reported “providing affordable health insurance to my employees” as the single biggest challenge facing their business (Figure 16).

Figure 15: Primary business challenges

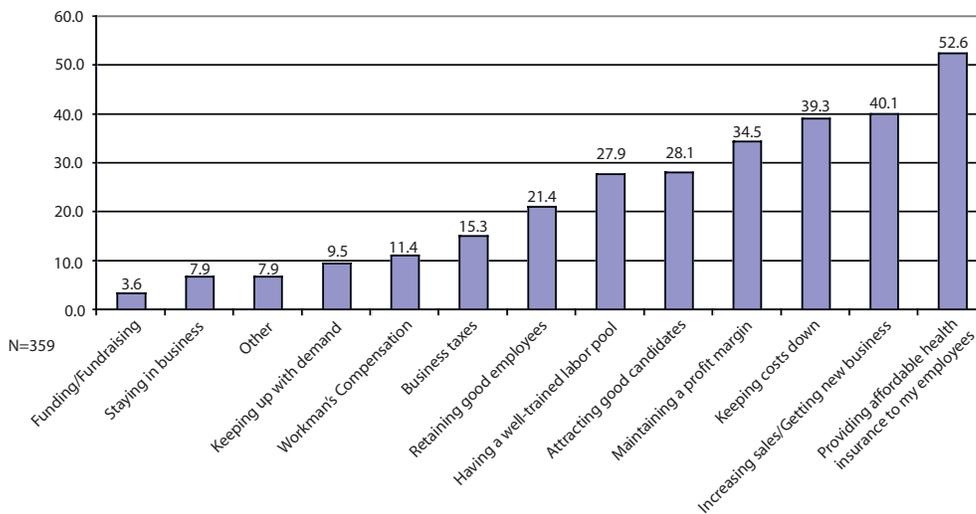
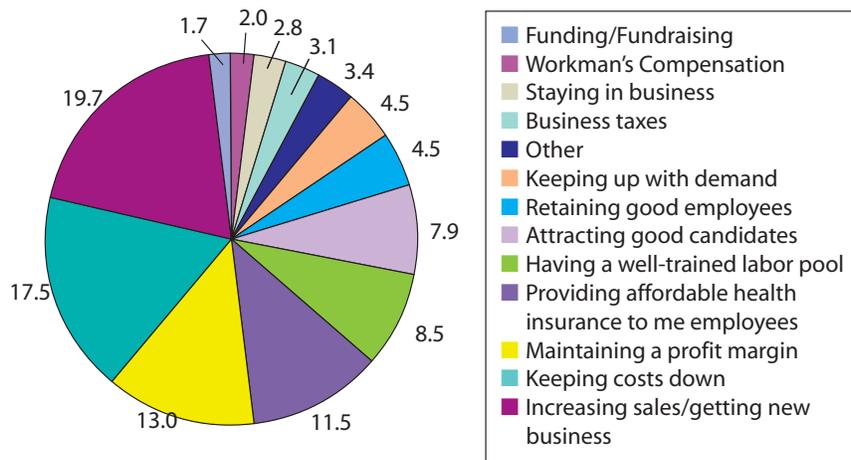


Figure 16: Single biggest business challenge



N=355

Challenge of health insurance

Most small business owners (95.9 percent) regarded the ability to provide health insurance as an important business issue (Figure 17).

Business owner attitudes

Opinion of universal access

More than 80 percent of small business owners (80.4 percent; N=769) responded that “all persons in the United States should have access to health care, regardless of their ability to pay.” About 10 percent of respondents (9.6 percent) disagreed with this statement, and 10.0 percent responded that they did not know.

Figure 17: Importance of ESI

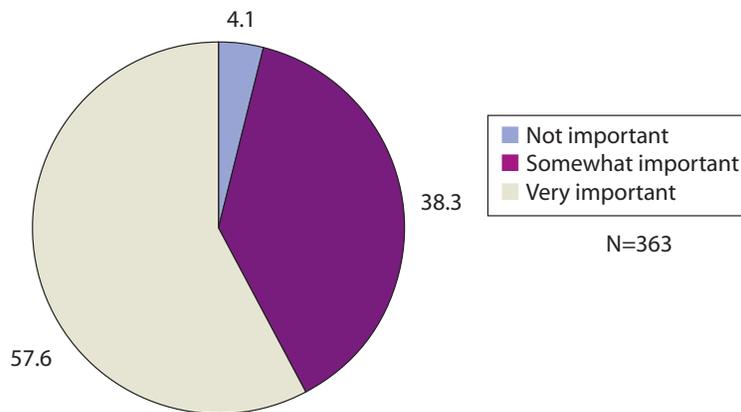
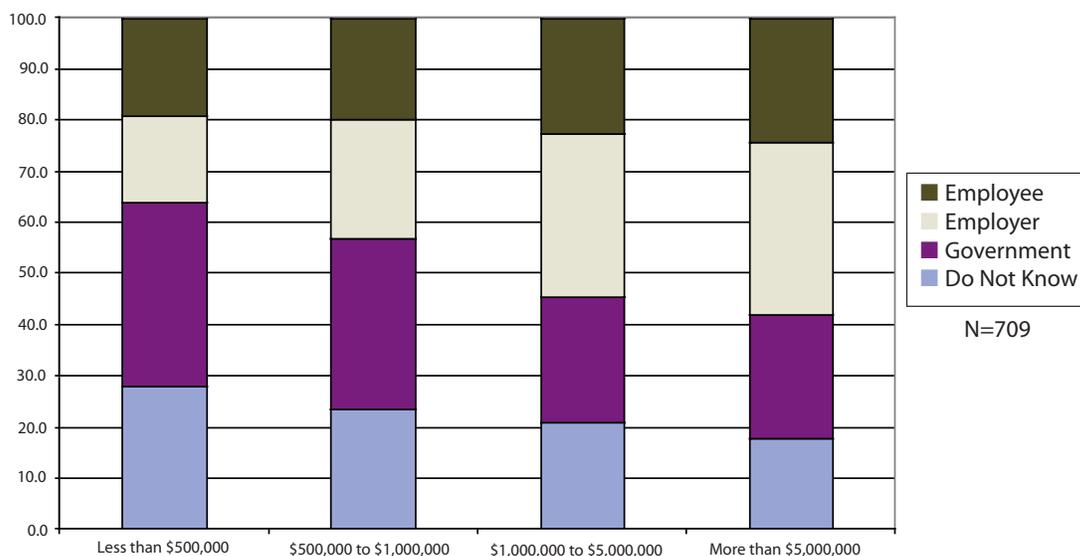


Figure 18: Business owner Preference of health insurance funder by annual gross revenue



Who should pay for health care?

When asked who they thought should pay the majority of health care costs, the largest portion of small business owners (30.7 percent; N=761) indicated the “government.” More than one-quarter of small business owners (25.6 percent) indicated that they “did not know.” Less than one-quarter (23.7 percent) indicated that the “employer” should pay the majority of health care costs, and 20.0 percent indicated that the “employee” should pay.

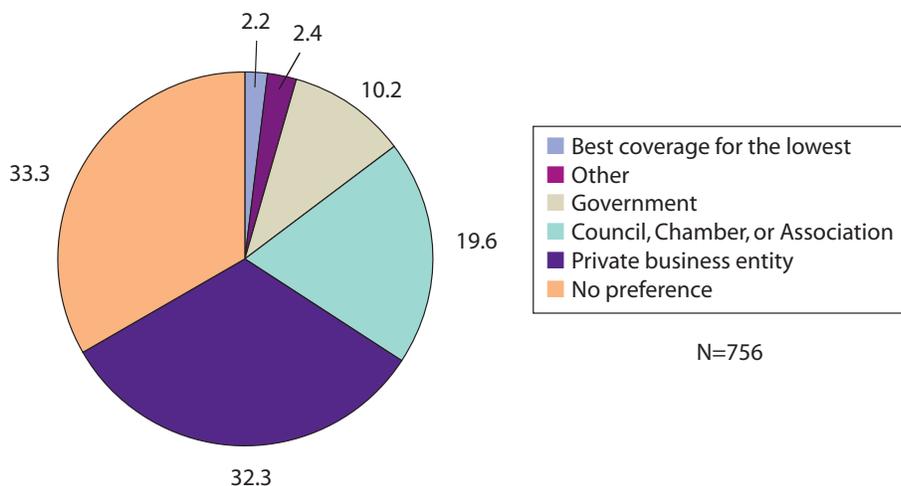
Of all respondents that selected one of the four above choices, owners of businesses with annual gross revenues of \$1 million or less were significantly less likely to select the employer as the entity that should pay than owners of businesses with annual gross revenues of \$1 million or more (18.3 and 32.4 percents respectively, $p < 0.001$; Figure 18). Owners of businesses with annual gross revenues less than \$1 million were significantly more likely to select the government as the entity that should pay than owners of businesses with annual gross revenues of \$1 million or more (35.3 and 24.6 percents respectively, $p = 0.004$).

Preference for health insurance provider

When asked who they would prefer to purchase health insurance from, about one-third of small business owners (33.3 percent) indicated “no preference,” and about one-third (32.3 percent) indicated “private business entity” (Figure 19). Less than one-fifth of small business owners (19.6 percent) indicated “council, chamber or association,” and more than one-tenth (10.2 percent) indicated “government”.

Of all respondents that selected one of the four above choices or “best coverage for the lowest price” or “other,” owners of businesses with annual gross revenues less than \$1 million were significantly less likely to prefer a private business entity as the provider than owners of businesses with annual gross revenues of \$1 million or more (25.3 and 44.3 percents respectively, $p < 0.001$; N=702). Owners of businesses with annual gross revenues of \$1 million or less were significantly more likely to prefer the government as the provider than owners of businesses with annual gross revenues of \$1 million or more (13.3 and 5.3 percents respectively, $p = 0.001$).

Figure 19: Business owner preference of provider



Business owner coverage

Personal coverage and ESI

Almost all business owners (97.0 percent; N=363) had personal health insurance coverage. Those with personal coverage had an ESI offer rate that was higher (90.1 percent; N=363) than the offer rate for all businesses (61.9 percent; N=767). The number of business owners without personal coverage (3.0 percent; N=363) was too few to provide statistically meaningful results on their firms’ offer rate.

Source of personal coverage

The majority of business owners with personal health insurance coverage (69.2 percent) obtained it through their company plan. About one-fifth (20.2 percent) obtained it through their spouse or partner’s plan, and the remainder obtained it through a private plan, a government plan, or another unspecified source (Figure 20).

Concluding Remarks

It is clear that health insurance coverage is important to Connecticut small businesses. It is a major business challenge and one of the most important for many small business owners. Most of those surveyed believe all persons in the United States should be insured and many businesses either provide coverage or express the desire to do so.

This survey adds to the growing body of evidence on the complexities of health insurance coverage in the Connecticut small business community. It corroborates past findings about trends in the provision of ESI and presents the attitudes and opinions of Connecticut small business leaders on the health care crisis.

Since ESI is largely regarded as an employee benefit, it is crucial to examine the factors that affect employee benefits and how they relate to ESI. Results presented here primarily pertain to characteristics of the firm, which demonstrate important trends in the provision of ESI. Future studies should investigate more closely the characteristics of the *employee* and how these affect ESI:

Job type

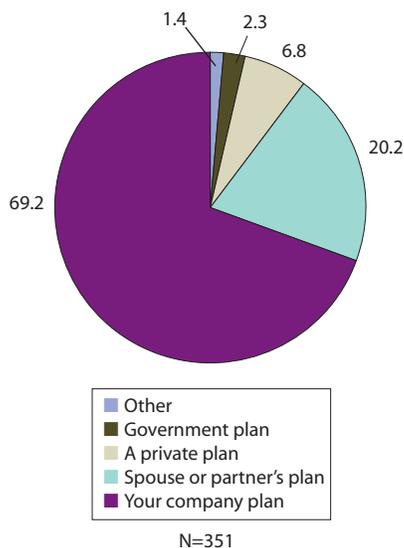
The Office of Health Care Access observed considerable variability in health insurance coverage by type of job⁵. As was indicated by employers in this survey, full-time and permanent employees displayed high rates of coverage. The relation between employment type and ESI characteristics, however, is underdeveloped. Future studies in Connecticut must explicitly define employee categories and investigate how these relate to employer health benefits.

Sole proprietorship

It is important to distinguish a sole proprietorship as a distinct entity in the small business sector. Their needs, attitudes and concerns are so unique that they warrant a survey focused exclusively on sole proprietors.

Although annual gross revenue and firm size have both been demonstrated to be indicators of ESI offer rates, their usefulness is limited. The provision of employee benefits depends heavily on the amount a firm is willing and able to spend. Although it is unrealistic to obtain a firm’s business expenses, it is likely that the provision of ESI is conditional upon a given amount of revenue available *per employee*. The type of employment may also be tied into these factors. We suggest that a descriptive term, such as annual gross revenue per employee or annual gross revenue per worker-hour, be used in analyzing ESI offer rates.

Figure 20: Source of personal coverage



Methods

Design

A paper form of the survey was created by the Universal Health Care Foundation of Connecticut (UHCF) with input and feedback from members of the Small Business Health Care Network. An online form of the survey was created from the paper form verbatim using SurveyMonkey.com. Both the paper form and online form were pre-tested before being administered.

Data Collection

Eight member organizations of the Small Business Health Care Network mailed paper surveys by USPS to 9,255 Connecticut small business owners between January 27, 2006 and February 8, 2006. Paper surveys were received by UHCF until March 7, 2006. The paper survey alternately invited respondents to complete the survey online. One member organization of the Network and two other business associations, the Connecticut Minority Supplier Development Council and the Connecticut Society of CPAs, directed by email an additional 3,544 Connecticut small business owners to complete the survey online. The online form was open from January 22, 2006 until February 28, 2006. All surveys were self-administered.

Paper surveys were coded by the UHCF and double key-punched into electronic form by Dataprep, Inc., West Hartford, CT. Data from SurveyMonkey.com was cleaned, recoded, and combined with cleaned paper survey data. The composite data set was cleaned and analyzed using SPSS version 13, a statistical software package.

Analytical Sample

Altogether 863 people responded to the survey (189 responded online and 674 responded by mail).

The final analytical sample was composed of 165 online respondents and 641 mail respondents yielding a total of 806 respondents.

Subjects were excluded for various reasons. Although business associations and chambers of commerce were instructed to only solicit participation by small businesses of 100 or fewer employees, their membership lists may not have been current and surveys may have been distributed to businesses with more than 100 employees.

Thirty-two of the mail respondents indicated their business had more than 100 employees and were removed from the sample. One mail respondent only completed three questions and was excluded from the sample. Twenty-four online respondents answered only two questions and were excluded from the sample.

Most of the analyses were conducted on the full analytical sample; however, some of the analyses utilized only the responses from businesses containing more than 5 employees. Most of the subjects responded to the categorical question asking about the number of (including the respondent) employees. The question was followed by specific questions asking about the number of full time, part time and contract/temporary employees. The specific questions about the numbers of employees of each type are required to determine whether or not respondents were sole proprietors. These specific questions contained a considerable number of missing responses. Thus, it was not possible to identify respondents who were sole proprietors. Questions pertaining to ESI characteristics, represented in this report in the sections: "Factors affecting ESI offer rate," "ESI characteristics of offering firms," "Characteristics of firms not offering ESI," "Business challenges," and "Business owner coverage," are only appropriate for businesses with more than 1 employee so analysis of those variables exclude businesses in the 1-5 employee category.

References

- ¹Connecticut Office of Health Care Access, "The Connecticut Office of Health Care Access 2004 Small Employer Health Insurance Survey – Focus on Results," (November 2004).
- ²Agency for Healthcare Research and Quality, "Medical Expenditure Panel Survey: 2003 Employer-Sponsored Health Insurance Data," (July 2005).
- ³The Kaiser Family Foundation and Health Research and Educational Trust (2005). "Employer Health Benefits: 2005 Annual Survey," Menlo Park, California and Chicago, Illinois.
- ⁴The Robert Wood Johnson Foundation and Public Opinion Strategies, "Attitudes of Business Leaders Regarding Health Care Coverage," (September 2005).