



2012 RMEHA Employer Survey:

Small Business Perspective on the Colorado Health Benefit Exchange

The Colorado Health Benefit Exchange:

Are employers interested, and what do they want?

The development of a state-based health insurance exchange creates an opportunity for small employers to expand choices when purchasing health benefits, but what are the most important factors to small-group insurance purchasers?

With the passage of SB 11-200, Colorado became one of a handful of states to pass legislation to create a state-based health insurance exchange.

Colorado created the Colorado Health Benefit Exchange (COHBE), which is charged by the law to create access to care, competition in the marketplace, and affordable products for individuals and small business purchasers.

Since June of 2011, the COHBE has been meeting twice monthly to analyze proposed policy decisions and determine the necessary administrative steps to begin implementation of the program.

A crucial decision made in early 2012 was to create two distinct marketplaces: an individual marketplace, and a small-group marketplace.

Each marketplace will be administered by one entity, but will have distinct policies based on the variations in ratings and coverage mandates in state law.

The COHBE is on a tight timeline to develop and

implement policies that will affect both marketplaces, and business organizations are working with the Board to provide recommendations to create a rich marketplace that will attract small-group purchasers while keeping a focus on the goal of reducing premiums in the future.

In February, 2012, the Rocky Mountain Employers Health Alliance (RMEHA) created and launched a survey of 17 questions that was distributed across Colorado, through local Chambers of Commerce, trade associations, and its' membership.

RMEHA did not receive any public funds or grants to conduct the survey, and respondents were not compensated for their participation.

The survey was conducted electronically, through a web-based survey company, and was open to any Colorado employer with 50 or less employees to provide answers to some of the most-often asked questions with regards to developing the Small Business Health Option Program, or SHOP as it is more commonly known.

By conducting a state-wide survey, open to any employer with less than 50 employees, RMEHA felt that this would be the least self-selective method

available for collecting policy-neutral responses.

This report provides the methodology behind the development of the survey, as well as providing the questions, responses, and data collected to create recommendations for SHOP development.

In addition to the survey, a series of personal interviews were conducted to gain additional insight into the needs and perspectives of small employers on the subject of health care policy in Colorado.

Our goal was to ask employers how they currently shop for benefits, and if they would purchase in an exchange, what do they want to be offered in one, and how do they plan to shop for benefits through an exchange?

"The single most important factor that would lead us to purchase products within the Colorado Health Benefit Exchange, besides being a blend of affordability, quality, choices, tax credits, etc. is that we have access to a knowledgeable, licensed broker, who can make appropriate recommendations for our budget and needs."

“It would be great to see the COHBE provide a platform whereby employers could free themselves from administrative duties.”

Executive Summary

The survey contained seventeen questions, that were a mix of yes/no, multiple choice, and ‘other’ answers, with an opportunity to answer with the respondents own thoughts. Additionally, respondents were informed that their email address would need to be registered in order to prevent duplicative answers, and each respondent was asked if he or she would like to participate in a follow-up interview for a more in-depth series of questions for their response.

The survey was taken 708 times and resulted in 313 unique responses from businesses that employ 50 or fewer employees. Sixteen responses were screened out as duplicates, forty-five responses were screened out as having over fifty employees, and the rest were removed because the surveys were incomplete.

Because the survey was designed to obtain responses from small employers, which are defined in Colorado law as 50 employees or less, the first series of questions were focused on the size of the respondents company. If a respondent answered any of the first three questions regarding the size of their business that indicated they employed more than 50 employees, the responder was sent to a screen that thanked them for their time, but that they were not the appropriate employer for the remainder of the survey.

The research sought to determine a series of factors:

- *Do small employers (50 or less) intend to purchase small-group*

benefits on the Exchange?

- *What are the most important factors for small employers when currently purchasing group benefits?*
- *Will small employers that currently offer benefits continue to do so if the individual mandate to purchase is enacted?*
- *What is the relationship of brokers and small group purchasers?*
- *Are small employers aware of the development of a health exchange?*
- *If they are aware of the exchange, what is the likelihood that they would purchase group benefits in an exchange?*
- *What is the most important factor that would lead their company to purchase within the Exchange?*
- *What is the main reason their company would not purchase in the Exchange?*
- *How will they get information about changes to health care policy, like the development of an exchange?*

Follow-up Interviews

The interviews were conducted to obtain more in-depth information of respondents regarding issues that are important to small group benefits purchasers.

Nine questions were asked of nine respondents, and the opportunity to offer their thoughts outside of the questions was available to the interviewees. Those questions were:

- *Why do you offer group benefits?*
- *Are there any difficulties in your current purchasing experience?*
- *What is the process you currently use to purchase benefits?*
- *Do you have a relationship with a broker?*
- *What is your source of information about the COHBE?*
- *Do you have any concerns about the COHBE?*
- *What must the COHBE do for small group purchasers?*
- *Thoughts on benefits outside of plan offerings?*
- *Thoughts on PPACA?*
- *Other thoughts?*

Respondents answers to the survey and the interviews are included in this document, and help to shape RMEHA recommendations to the COHBE Board on the development of the SHOP.

Summary of Responses

- Currently, 73% of all small employer responders provide group health benefits for their employees.
- 65% of the responders will keep purchasing group benefits if the individual mandate remains in place.
 - This question was asked based on historical discussions that assumed employers would drop benefits because the penalty is likely to be lower than the cost to purchase benefits, which many business organizations have been disputing since the passage of the PPACA.
- 93% of all responders who provide group benefits use a broker when making purchasing decisions.
- The majority of respondents know very little or nothing about the COHBE.
 - The main reason they don't: "my broker never mentioned it."
- The most important factor (48%) when currently purchasing benefits is cost of premium.
 - Second factor (18%) is plan design.
 - Third factor is broker recommendation (15%).
 - Not one responder listed "customer service" as a factor.
- The most important factor (51%) that may determine purchasing benefits in the COHBE is also cost.
 - Second factor is quality of plan design (24%)
 - Only 2% listed "tax credits" as a factor.
- The overwhelming majority of small employers are currently undecided about whether they will purchase group benefits through the COHBE (53%).
 - Only 3% definitely will purchase through COHBE.
 - 21% definitely will NOT purchase through COHBE.

RMEHA Survey Questions & Responses



62% of responders Potentially Qualify for current Tax Credits

The RMEHA membership felt that it was important to provide information to current small business purchasers regarding the availability of tax credits. The survey was accompanied by a white paper that provided information about available tax credits and specifically asked this question in order to determine how many of the respondents meet the most basic requirement for qualification.

Our goal was to provide respondents with information that may be useful to them for learning more about tax credits, and to establish the percentage of responders who may be eligible for these and other credits as the development of the Exchange continues.

Most Small Employers Currently Purchase Group-Health Benefits

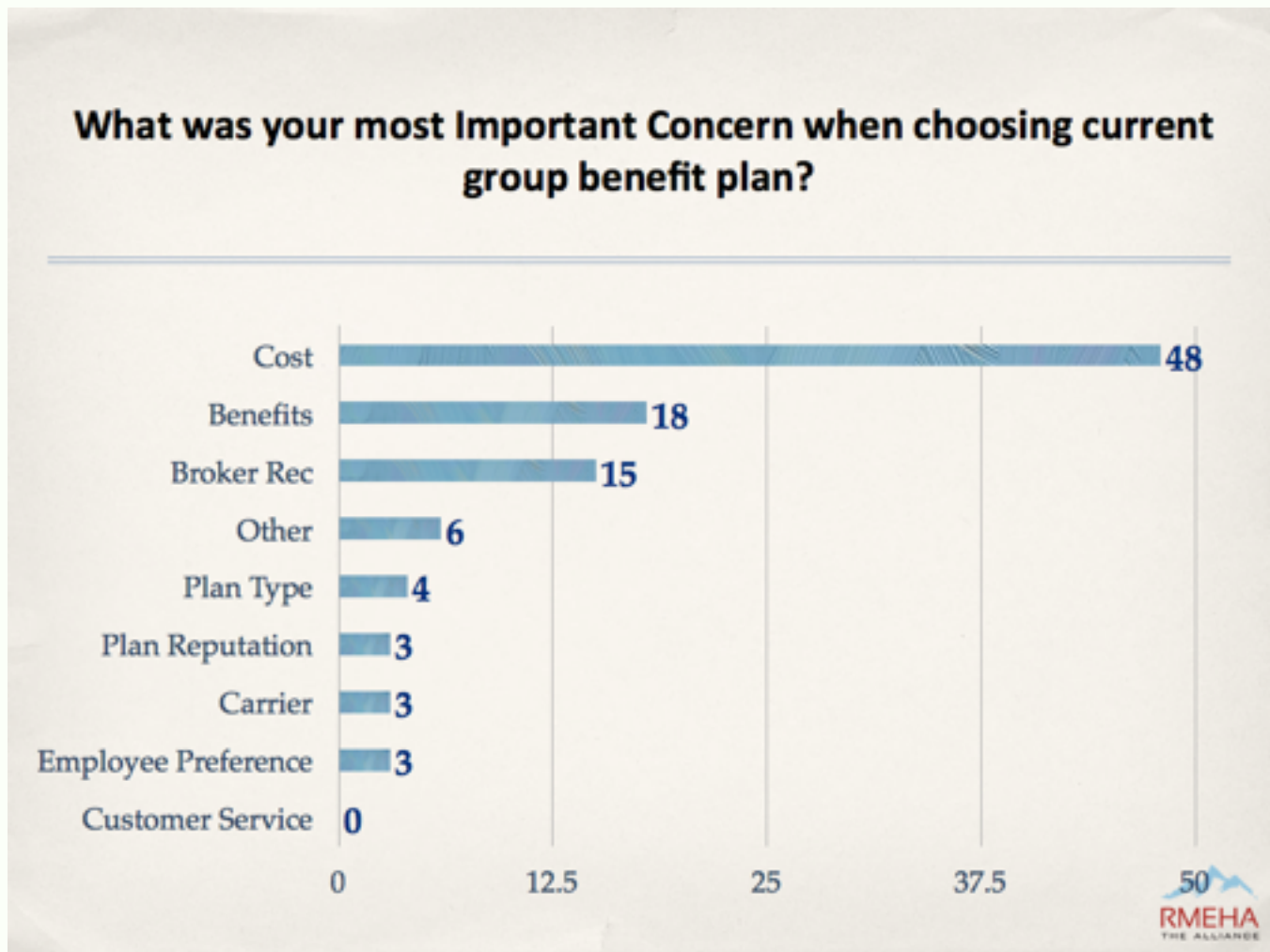


A very large majority of the survey responders purchase group health insurance plans for their business.

Following are some of the reasons responders listed for providing benefits:

- *"It's the right thing to do."*
- *"Looking to foster long-term relationship with employees."*
- *"Need it to retain employees."*
- *"I'm philosophically committed to providing health benefits."*
- *"I provide insurance to remain competitive in attracting quality employees."*
- *"Everybody does it."*
- *"Company policy."*
- *"Every employee should have health insurance."*
- *"Has always been part of our compensation package."*
- *"Health insurance is the most important benefit for our employees."*
- *"Insurance is an industry expectation."*
- *"All employees should have access to group coverage."*
- *"Health benefits are a vital piece of our compensation package."*
- *"Necessary for recruitment and retention."*

Biggest Factors for Current Purchasing Patterns



As with any expenditure for any business, the price to purchase a product for the company is typically the primary consideration. Health insurance benefits are no different.

However, our survey results show that the quality of benefits is also a top concern when making purchasing decisions. Broker recommendations on the quality and cost of available plans are the most sought-after and most often used method of purchasing for employers who don't want

to spend a lot of resources on finding the right balance between cost and quality.

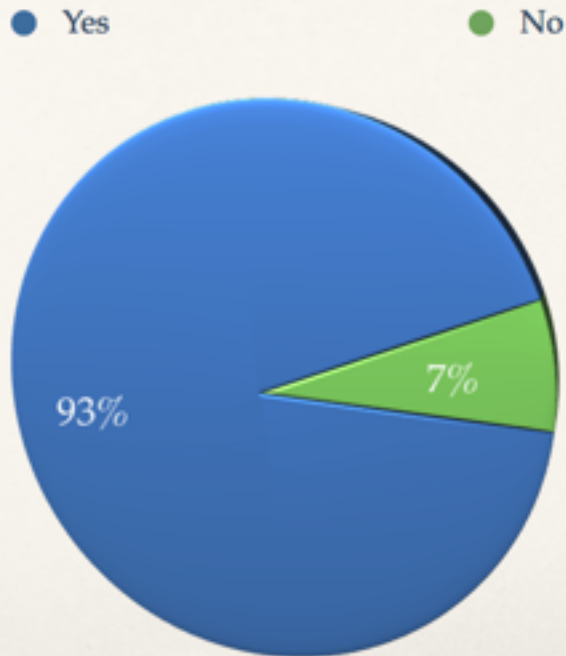
In a follow-up interview, one employer stated: *"Providing health insurance is not my primary job. It takes a huge amount of time to look at options and educate myself. Employees provide input on what services they want, and after reviewing the brokers recommendations, the Board approves the decision. The more assistance the COHBE can provide the better."*

Said another: *"When we are considering our options for group benefits, we use a broker to shop around. We survey our employees to determine what benefits are important, but in the end we make the decision on price first, and benefits second."*

Plan reputation, carrier brand, and employee preference shared an equally low value for employers, while customer service received no votes as a priority for employers when deciding what product to purchase.

Almost all Small Employers Use a Broker

Did you use an insurance broker to select your current group health insurance plan?



Based on the survey's information about how employers currently purchase insurance, and how they get information about insurance products, it's clear that the relationship between small employers and brokers will have a significant impact on COHBE's ability to attract group-benefit purchasers.

Responders told us that insurance brokers play a key role in assisting small

employers when purchasing benefits.

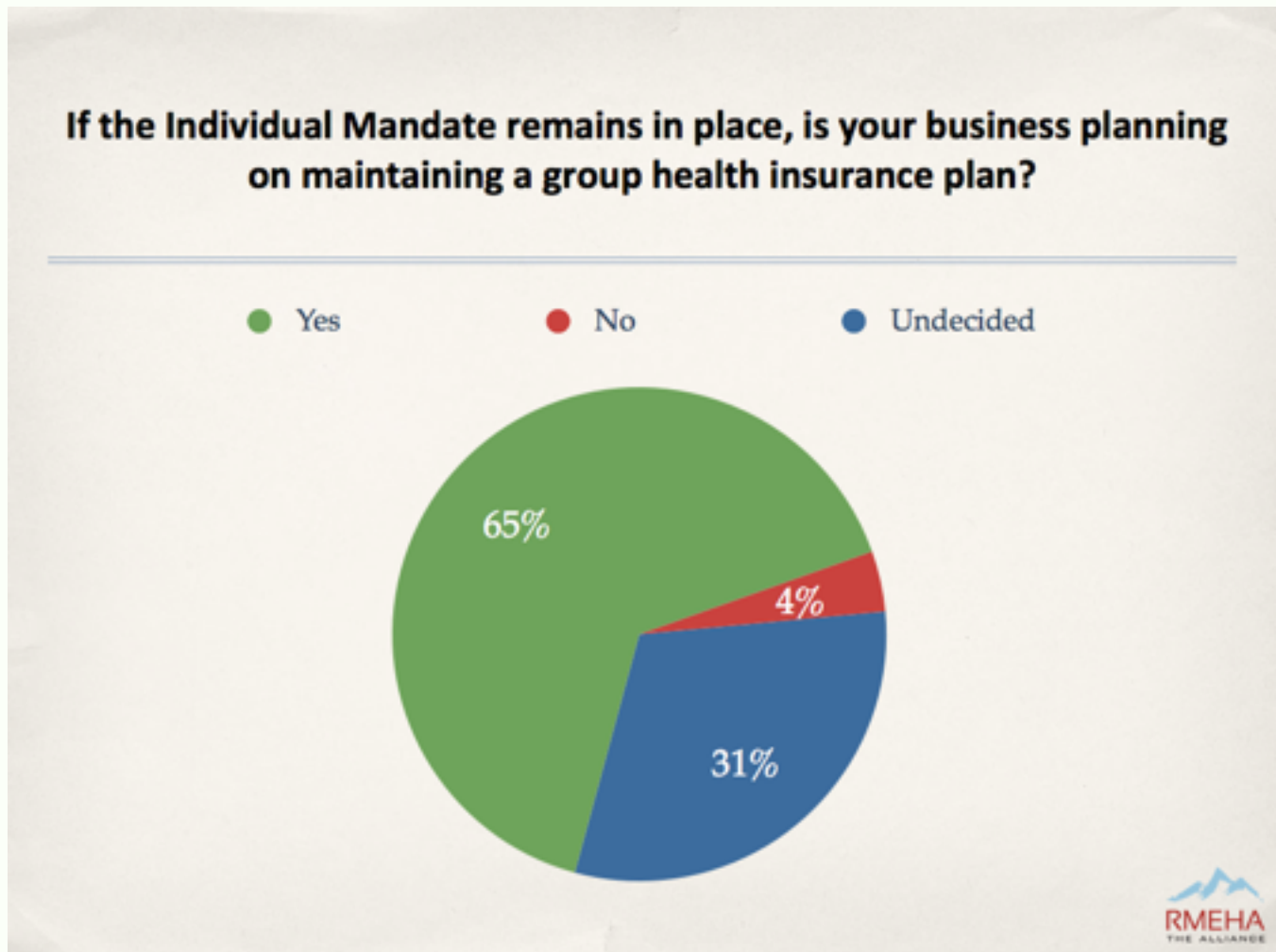
It's clear that brokers can help attract the current market share to the COHBE, and help to educate small employers on the products available.

Employers told us that they use brokers for a number of reasons, the first of which is the time-saving opportunity to shop for benefits, and another reason

is the trust they have in the relationship with their broker.

Not one responder cited a negative relationship with their broker, while a high percentage (although this was not measured by the survey) noted that if they were unable to continue their relationship with their broker, they would have no interest in purchasing products in the Exchange.

Decision to Provide Health Benefits Not Driven by Mandate or Penalty



Since the passage of the Patient Protection and Affordable Care Act (PPACA) and the introduction of the concept of assessing a penalty to employers for not offering health insurance benefits, analysts have speculated that employers will drop coverage for their employees and pay the fine instead.

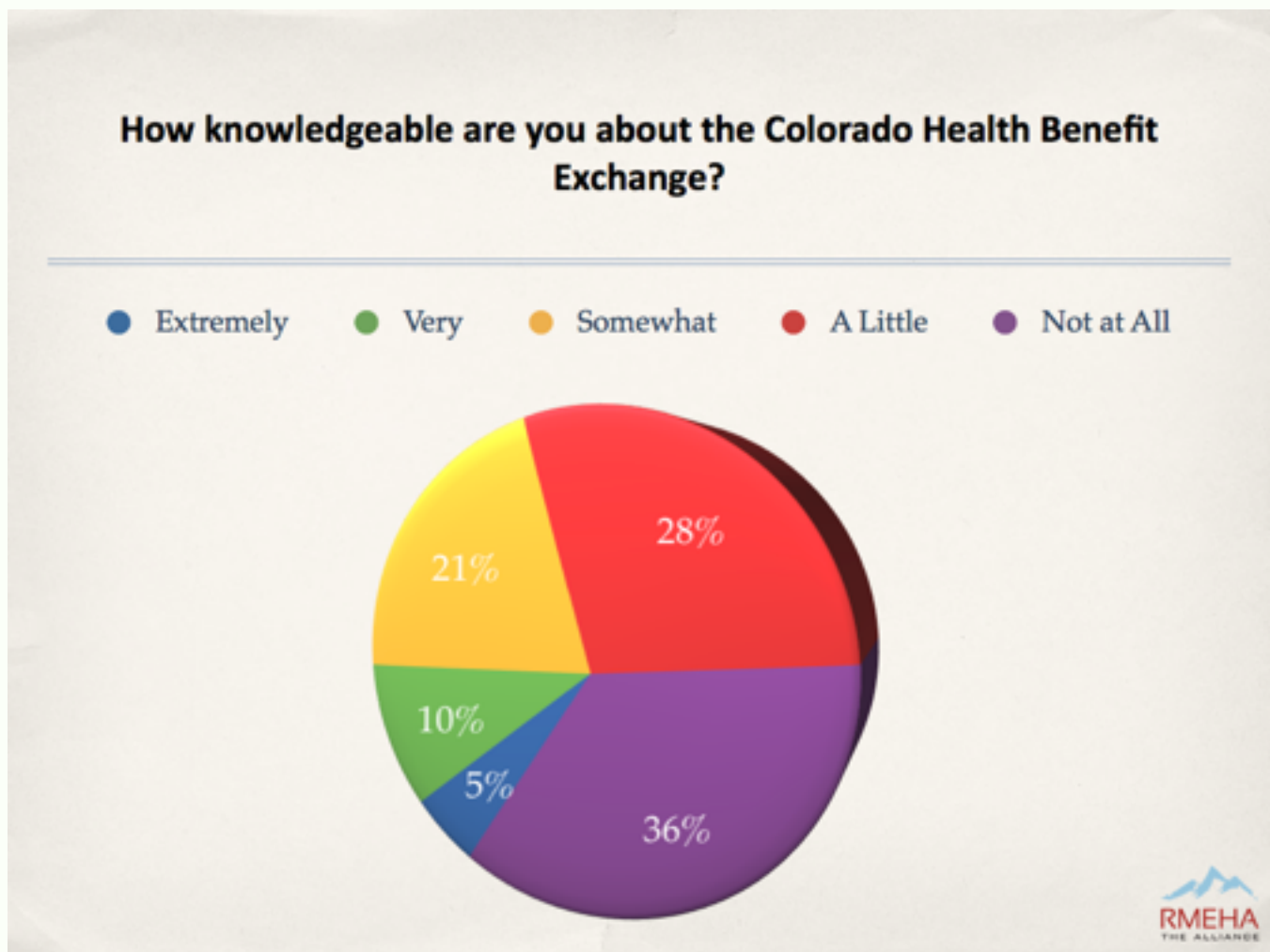
Based on the responses in our survey, it is abundantly clear that small employers overall have no intention to drop benefits if they currently offer them to employees.

The biggest concern for any state-based health insurance exchange will be how to attract purchasers to the marketplace.

“The individual mandate is more complex than a simple math calculation, it’s hard to do the math that an employee and company are better off if the company does not offer health insurance.”

Employer with 46 employees

Employers Not Aware of COHBE



Although business groups have been participating in stakeholder meetings since the passage of the Patient Protection and Affordable Care Act, employer awareness of the Colorado Health Benefit Exchange is minimal.

Education of potential purchasers group health insurance products is likely to be based on the recommendations of brokers, based on the feedback provided through this survey.

The survey announcement was accompanied by white paper, which provided an in-

depth description of the COHBE and the impact on employers.

A record of the number of times the white paper was opened was not tracked by the survey, therefore it is not possible to note how many of the responders reviewed the documents prior to taking the survey.

Business owners have little time to review regulations of products that they do not produce or distribute, therefore, it will be difficult to engage the average small-group purchaser on the details of offerings

within the COHBE, without the assistance of brokers.

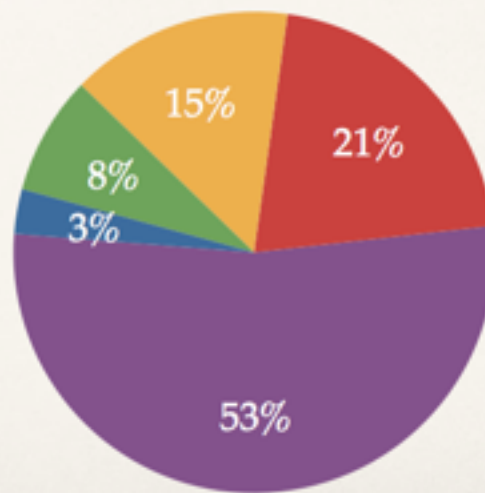
Employers who utilize the services of a health insurance broker do so to save time (or as one employer stated “the brain damage” associated with shopping for available plans.

By marketing the COHBE through brokers, the opportunity to introduce potential purchasers will increase exponentially, by having brokers recommend COHBE products when an employer asks “what products can I afford that offer the best coverage?”

Large segment of Marketplace potential COHBE customers, will depend on education & outreach

Based on current information about what a health exchange is and how it will operate, how likely is your business to purchase group insurance through the COHBE?

● Def. Purchase ● Probably Purchase ● Prob NOT Purchase
● Def. NOT Purchase ● Undecided



When asked how the COHBE can reach out to small employers, responses were focused on the ease of purchasing through brokers and the value that group purchasers utilize through their broker relationship:

- “Brokers manage at least 90% of my insurance needs. To be successful, COHBE must partner with brokers.”
- “The initial market share gain must come from existing market, COHBE won’t draw purchasers who do not

currently provide benefits.”

- “COHBE will not be able to compete on costs without consolidated offerings.”
- “Must launch an effective marketing campaign that explains the features of plans in the COHBE.”
- “Help small employers understand their range of options.”
- “COHBE should partner with the business community to reach potential purchasers, it’s difficult to reach

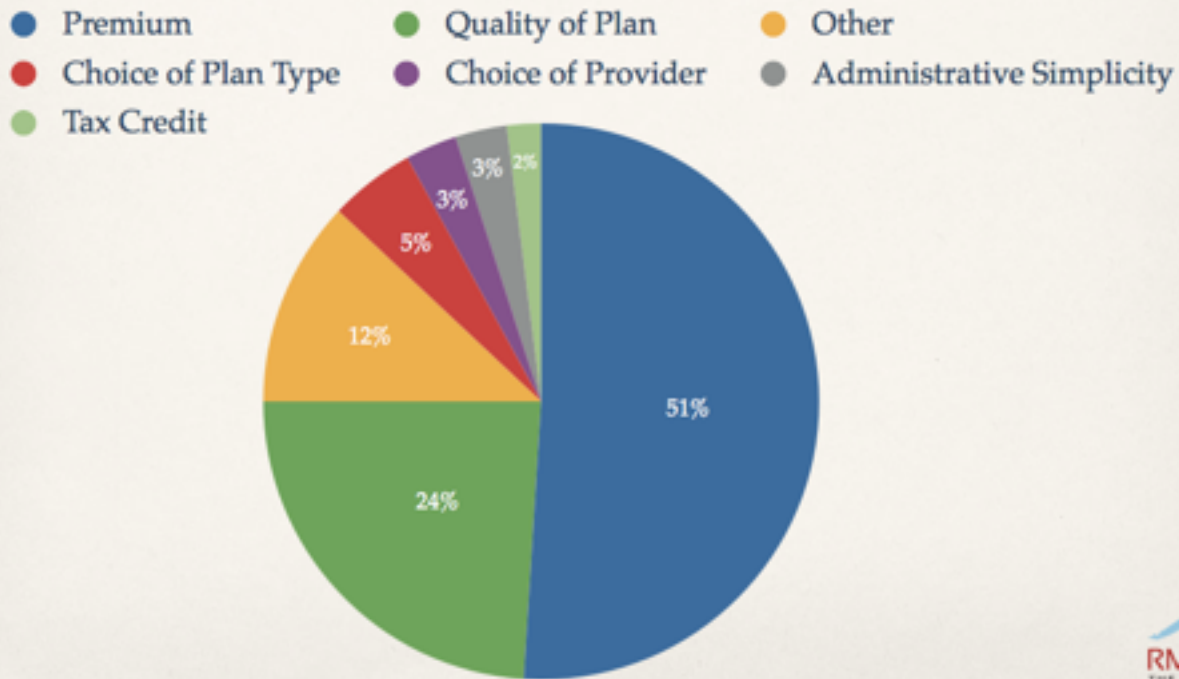
businesses that are not part of an organized group.”

- “It would be great to have webinars and educational services to help small businesses understand COHBE better.”
- “Need very clear impression of why COHBE is beneficial.”
- “I rely on my broker to understand all of my options, if he can explain why I need the COHBE, then I’ll purchase products in it.”

COST - QUALITY OF PLANS

Biggest Factor for Small Employers

What is the most important factor that would lead your business to purchase group insurance through the COHBE?

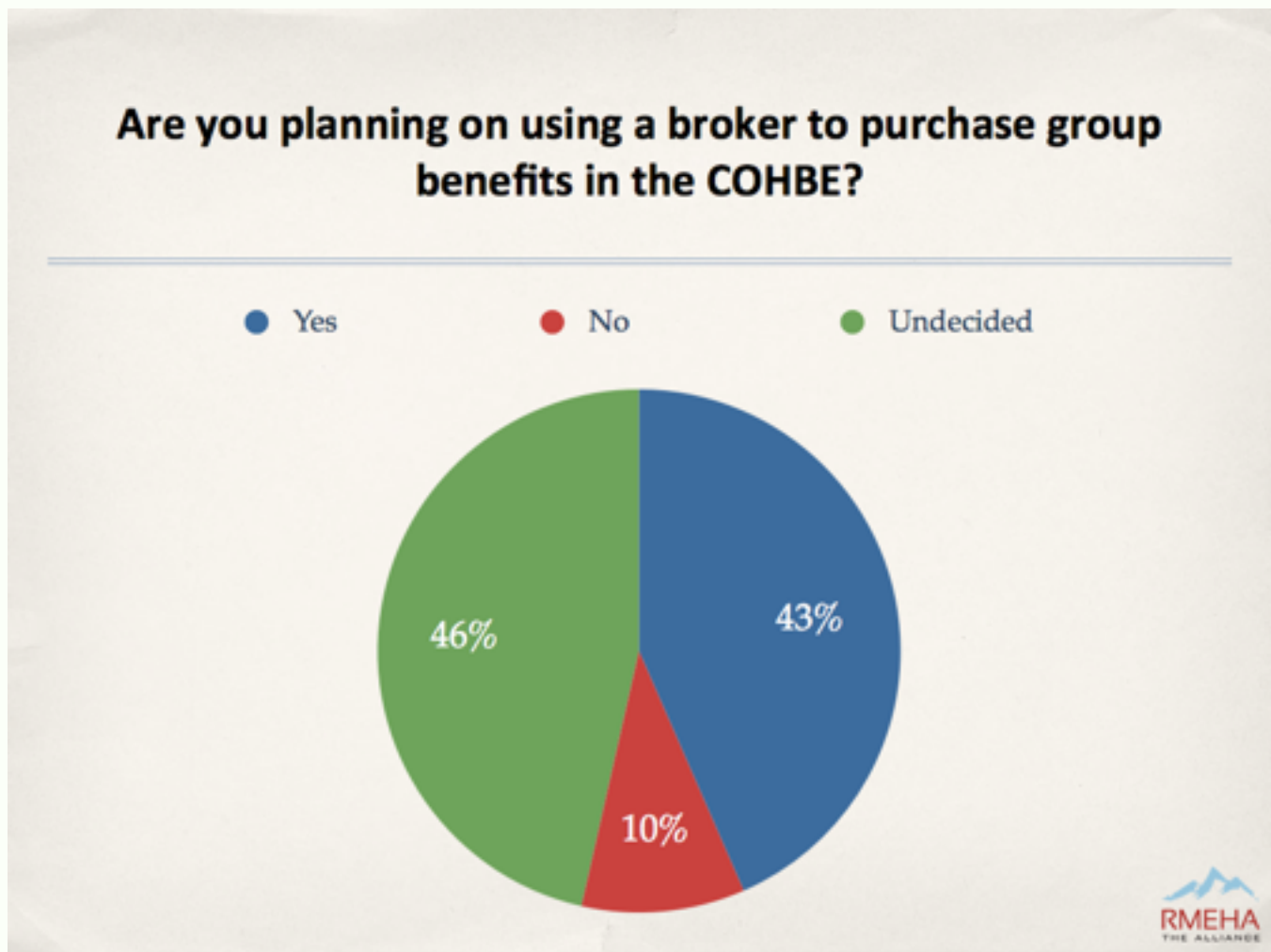


Cost is the bottom line for any business decision of small employers. However, choice of quality plans is the second largest factor for attracting group benefit purchasers to the COHBE.

Following are "other" answers:

- "We plan to buy from the Colorado Nonprofit COOP, and will purchase directly if allowed."
- "Combination of Quality, Coverage, and Cost."
- "Price, with High Level of Quality."
- "COST."
- "Recommendation of Broker."
- "Price, Choices, & Recommendation of Broker."
- "Recommended by Broker."
- "COST."
- "Affordability."
- "Ability to meet employee need, balanced with cost."
- "Can't choose one, obviously a combination of all the above."
- "COST."
- "Plan Value & Flexibility."
- "All of the above."
- "Quality & Cost."
- "Don't know what it is."
- "Benefits."

Small Employers Don't Know if Brokers will be Part of the COHBE



Based on the relationships that small employers clearly value with their brokers/agents, this question was difficult for many to provide a clear answer.

In the follow-up interviews, it was clear that if brokers are not available to employers they were highly unlikely to purchase, therefore this question created a segment of undecideds nearly as large as the “yes” group because of the lack of clarity around broker participation.

“I know very little about the COHBE. I read about it in the news, but I’m not sure how it’s going to work and my broker hasn’t mentioned it yet.”

“I’ve heard of Exchanges in general. I’m not sure if COHBE is part of Obamacare. Broker hasn’t mentioned it yet, but I’d like to know what it’s purpose is.”

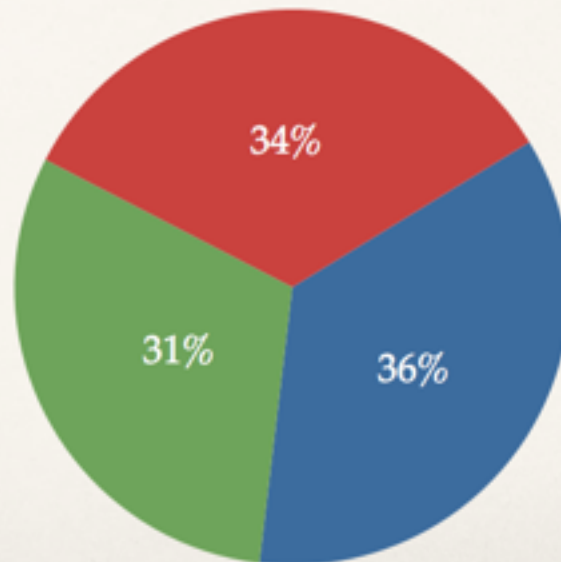
More Information Needed!

The COHBE could provide additional insurance related services to small employers and their employees. IE: HSA's and other pre-tax products. The COHBE would manage these programs for the employer. Would you be interested in these services?

● Yes

● No

● Undecided



This question was posed by the members of the COHBE Board. Small employers are split on what these potential pre-tax products may be, and it's clear that much more discussion is needed to make a recommendation on this issue.

Following are statements from follow-up interviews regarding

HSA's and other benefits they currently offer:

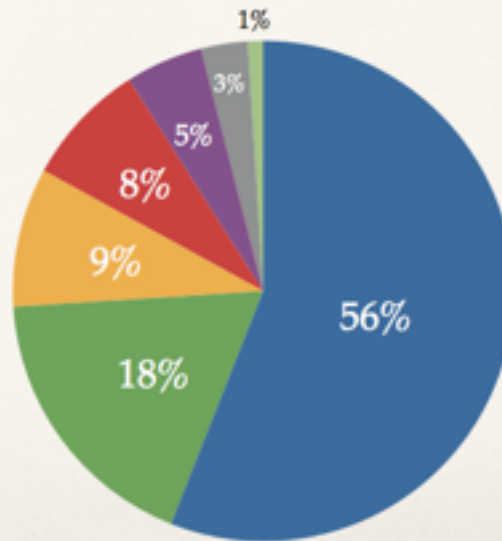
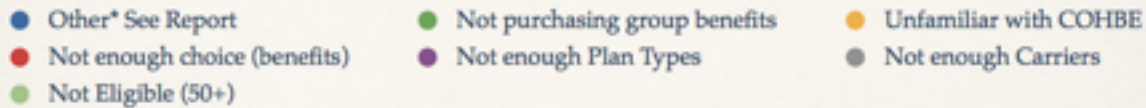
- "I currently have HSA's for each employee, and I also provide retirement benefits. This helps my organization to be competitive and provide good benefits."
- "Fixed amount of benefits for our

employees. They can use it in an FSA account."

- "FSA's, disability, life, dental, medical reimbursement, and caregiver."
- "We have cafeteria plans, dental HSA's."
- "Medical & dental only."

Other Responses:

What is the main reason that your business would NOT purchase group benefits through the COHBE?



- *"I trust my broker."*
- *"Committed to Self-Insured."*
- *"I don't support socialism."*
- *"Not sure I can work with my current broker."*
- *"Want the advise of my broker."*
- *"Like most businesses, we rely on good advice from our broker, the same reason I don't do my own taxes."*
- *"Don't believe this plan will survive past one year."*
- *"Not enough consultants to provide necessary education."*
- *"Happy with current plan."*
- *"No confidence in government plans like this."*
- *"Less government involved in my business the better."*
- *"I prefer my broker to help me make my decisions."*
- *"We like our broker's personal service."*
- *"Government employees are worthless."*
- *"I simply don't like the policy or support it."*
- *"I assume the coverage won't be as good."*
- *"Bad idea."*
- *"Not the government's job to provide health insurance."*
- *"Already have acceptable insurance, no reason to change."*
- *"Probably will not be viable."*
- *"No confidence in government plan like this- reference the last failed attempt-CUHIP."*
- *"Only a group of one."*
- *"Happy with current plan."*
- *"Want personal service from broker."*
- *"Prefer to use broker."*
- *"Prefer to work with broker."*
- *"Don't believe in mandated benefits."*
- *"We enjoy the services of our broker & don't have faith the exchange will be able to provide that level of service."*
- *"Want personal service from a broker."*
- *"I want to work with my broker."*
- *"Plan is too vague at this time."*
- *"Don't believe coverage is multi-state."*
- *"So little information available, can't answer this question right now."*

Comments on Health Reform

In our follow-up interviews, we asked what employers thought of the Patient Protection and Affordable Care Act and what the impact is for their business.

It's clear that employers have a diverse perspective on the PPACA:

- "I don't think it will impact us, we're too small. However, if it can offer people more choices in health care, I support it."
- *"The majority of people I know don't think that it will do anything for them. However, employees need the benefit of group health insurance."*
- "Health insurance is a moral question, not a financial question."
- *"It's important that people have a seamless experience with health insurance."*
- "It (ACA) will provide more meaningful access to health insurance."
- *"Hopefully, COHBE will provide good benefit packages at affordable prices."*
- "It's a good start. We are desperately in need of overhaul in the health care system."
- *"People should realize that it has many benefits, like eliminating pre-existing conditions. It does not go far enough."*
- "Obamacare is big and complex. I don't know the impact on my business."
- *"I am suspicious that it will be detrimental either if it imposes penalties on businesses or people."*
- "I'm a supporter of it in general. It's very difficult to comprehend what it does, and how it will affect my business."
- *"It's not perfect, but there's more good than bad. Until it starts functioning, it's hard to understand the dynamics."*
- "It will hurt my business but I'm in favor of it. It is very unfair for 40-50 million people to not have access to health insurance."
- *"I hope it is upheld in the Supreme Court."*
- "It's terrific that the country is finally looking at health care reform."
- *"More universal insurance is a good thing."*
- "The mechanics are very complicated, but hopefully we'll see some cost containment. Reform provides additional options for employers and employees."

Analysis, Future Surveys, and Thanks

Analysis of Employer Concerns

The results of this survey provide RMEHA with much needed insight into the needs of small employers when purchasing group benefits.

It's clear that a relationship with health insurance brokers and agents is paramount to enrollment of small employers in the SHOP for a variety of reasons:

- Education of product offerings;
- Trust of broker recommendations;
- Ease of use by working with a broker; and
- Historical relationship ("always have, always will").

While the role of brokers is not the first priority that needs to be determined in creating the SHOP, it's clear that without establishing a role for brokers, the majority of small employers currently purchasing group benefits will not even consider COHBE as a purchasing option.

Employers want education on the COHBE, but don't have the time to conduct their own research. Organizations like the Rocky Mountain Employers Health Alliance, in partnership with local Chambers of Commerce, trade associations, and other business organizations can offer the COHBE an outlet for education and marketing opportunities.

It's clear that cost is the single most important factor for small employers when considering group benefits for their company.

What's also clear is that small employers are concerned about the quality of the plans that their employees receive; a "what am I getting for my investment" and a "my employees deserve quality care for themselves and their families" perspective.

In order to attract group purchasers, the COHBE will need to define the benefits that small employers receive by purchasing COHBE products. Ease of use means little, if it means that employers need to do their own shopping. There is little faith among small employers that the COHBE products will be more affordable, and offer richer benefits; therefore, we recommend that the SHOP find ways to reduce costs and increase value, through additional incentives that have yet to be discussed, in order to attract small business owners.

Finally, the development of the SHOP for small employers defined as 50 or fewer employees will be closely monitored by larger employers, as evidenced by the number of respondents who attempted to take the survey that did not meet our small employer criteria.

Additional Surveys Planned

RMEHA plans to conduct more employer surveys on the development of the COHBE and other areas of health care policy this year,

Our biggest lesson from this first survey was that there were too many questions, as evidenced by the number of incomplete surveys that had to be eliminated. Future surveys will be limited to a smaller numbers of specific questions, in order to minimize the time employers spend to participate.

Special Thanks to our Research Team and Employers

The RMEHA Employer Survey and accompanying research was conducted by Ms. Justine Plenkiewicz, a University of Colorado at Denver Masters Degree student in the School of Public Affairs.

Ms. Plenkiewicz conducted the survey for her CAPSTONE project, which provided her the necessary credit for successful completion of her course work.

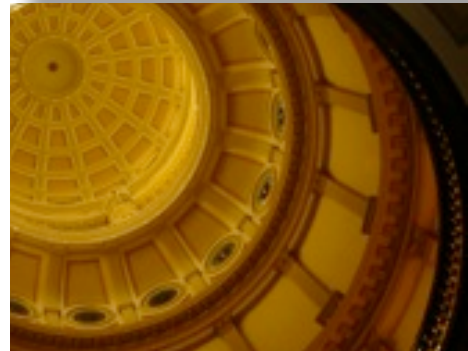
The RMEHA Board of Directors and membership appreciates the professionalism of Ms. Plenkiewicz and her hard work to complete such an important project in just 12 weeks.

We are sure that Justine has a successful future in public policy, and look forward to seeing her career flourish wherever her path leads.

Additionally, RMEHA is grateful to have had so much participation of Colorado's business community.

Our survey was launched with no professional marketing, and we feel that the number of respondents is reflective of the number of employers who are interested in seeing new solutions to the costs and difficulties associated with providing health benefits for employees.

For more information about RMEHA, visit our website: www.rmeha.com or contact Dan Anglin at 720-648-4044 or danglin@rmeha.com



1640 Logan St. Suite 200, Denver, CO 80203 720-648-4044 dan@dananglin.com