

**HRSA State Planning Grants
Interim Report to the Secretary
September 30, 2004**

**Finding and Filling the Gaps: Developing a Strategic Plan to
Cover All Kansans**

Grantee: Kansas Insurance Commissioner Sandy Praeger

Section 2. Summary of Findings: Employer-based Coverage

2.1 What are the characteristics of firms that do not offer coverage, as compared to firms that do?

Preliminary analysis of the data collected through the Kansas Small Employer Health Insurance Survey revealed the following characteristics of firms that do not offer health insurance as compared to firms that do.

Number of employees, wages, and education. There were some statistically significant differences between Kansas firms that did and did not offer employer provided health insurance. Firms that offered health insurance averaged nearly twice as many employees as those that did not. Firms that offered health insurance also offered wages that were over \$4,000 higher. In firms that offered health insurance, most jobs were much more likely to require a college degree or post-baccalaureate degree. Not surprisingly, these firms were more likely to report that jobs in their firm required at least a high school degree.

Age, ethnicity, and gender. Other differences were found to be not found to be statistically significant based on the survey. The average age of employees was comparable in both groups of firms. Firms that offered health insurance had fewer employees with less than two years with the firm. There was a nine percent chance that this difference was due to chance. Firms that offered health insurance and firms that did not had similar percentages of female and African-American employees. Firms that did not offer health insurance tended to have a higher percentage of Hispanic employees, although there was a 16 percent probability that this was due to chance.

	Health Insurance		t-test	Chance Probability
	Offered	Did Not Offer		
Number of Employees	15.3	7.8	6.2	0.00
Average Salary of Full-time Employees	\$26,788	\$22,549	27.7	0.00
Average Age of Employees	41.1	41.2	0.1	0.93
Percentage of Female Employees	45.3	44.1	0.3	0.77
Percentage of Hispanic Employees	4.5	7.3	1.4	0.16
Percentage of African-American Employees	2.4	2.5	0.1	0.96
Percentage of Short-term Employees	25.0	31.2	1.7	0.09
Percentage Requiring College or Above	27.4	9.4	4.2	0.00
Percentage Not Requiring High School	9.2	20.6	2.5	0.01

Urban and Rural Differences. There were also differences between urban and rural small businesses in terms of offering health insurance. Firms in more urban counties (Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, and Wyandotte) were more likely to offer full-time employees health insurance than firms elsewhere. Seventy-eight percent of the firms in these counties offered coverage to full-time employees; 63 percent of firms in other counties did so. There were no meaningful differences in the proportions of firms offering coverage to part-time workers or to family members. Firms in the more urban counties were not appreciably larger than firms elsewhere, but did offer larger salaries (\$27,620 *versus* \$24,007).

For those employers that offered health insurance coverage the preliminary data analysis revealed the following findings.

Eligibility. Most firms that offered health insurance restricted eligibility to full-time employees, but 14 percent reported that all employees were eligible. Sixty-four percent of employees signed up for health insurance when offered. (This may slightly understate the acceptance rate, because not all employees were eligible.)

Employer cost sharing for employees. Employee payments for individual health insurance were usually modest. Seventy-five percent of firms that offered insurance reported that employees paid \$100 or less per month for their own coverage. Half of the firms that offered coverage paid over \$300 per month per employee. Only 5.1 percent paid less than \$100 per month for health insurance premiums for their employees. Just over half (51.4 percent) of the firms that offered coverage required no employee contributions for health insurance. Nearly ten percent required employee contributions of over \$200 per month.

Employer cost sharing for family coverage. Eighty-nine percent of the firms that offered health insurance to their employees also offered family coverage, but employer contributions for these plans were less generous. Thirty-eight percent of firms made no contribution to family coverage, and an additional seven percent contributed less than \$100 per month. Only 25 percent of the firms paid more than \$300 per month for family coverage.

2.2 What influences the employer's decision about whether or not to offer coverage? What are the primary reasons employers give for electing not to provide coverage?

Reasons for not offering. Cost is the main reason for not offering health insurance. Sixty-six percent of small firms that did not offer health insurance cited this as the main reason why. Only 21 percent said that their employees get coverage from other sources; 61 percent of these firms knew that some of their employees lacked any health insurance coverage. Most other firms focused on the preferences of their employees as to the reason they did not provide health insurance. Nine percent said that employees preferred higher wages, and three percent said that a majority of employees could not afford the premium. Only one percent identified too much paperwork as the main barrier to offering coverage.

2.3 To be answered through upcoming qualitative key informant interview research component.

2.4 What would be the likely response of employers to an economic downturn or continued increases in cost?

Vulnerability due to offering health insurance. Employers in our survey reported that insurance premiums increased substantially last year. Thirty percent of the firms reported that their premiums rose by 16-25 percent, and 28 percent reported that their premiums rose over 25 percent. Due to these rising costs, 58 percent of firms said that increases in employee contributions for health insurance were somewhat or very likely. In addition, 21 percent said that they were somewhat or very likely to stop offering health insurance to employees.

Impact on business. The firms in our survey indicated that rising health insurance costs had significant business effects. Sixty-five percent said that they reduced raises or bonuses as a result; 36 percent reduced other benefits; 22 percent reduced hiring; and six percent laid off workers.

2.5 Question not addressed in small employer quantitative or qualitative research designs.

2.6 How likely are employers who do not offer coverage to be influenced by:

Expansion/development of purchasing alliances?

At 96 percent, support for small business pools was overwhelming. The responses of firms that offered insurance and firms that did not were essentially the same for this option.

Individual or employer subsidies?

Nearly half of firms favored subsidies for low-income workers. The responses of firms that offered insurance and firms that did not were essentially the same for this option.

Additional tax incentives?

Sixty four percent of the survey respondents who did not offer health insurance indicated that they would be more or somewhat more likely to offer health insurance if the government provided financial assistance, such as a tax credit to help them pay for health insurance premiums.

2.7 What other alternatives might be available to motivate employers not now providing or contributing to coverage?

Sixty-six percent of the firms supported health savings accounts and 64 percent supported a Medicaid buy-in for children. The responses of firms that offered insurance and firms that did not were essentially the same for these two options.

Seventy percent of firms favored letting small businesses buy into a state government insurance plans. Seventy-six percent of firms not offering health insurance and 67 percent of firms offering health insurance favored this option. Although support was high for both groups, it was significantly higher among firms that did not offer insurance.

Only 29 percent of survey respondents favored expansion of Medicaid to parents of eligible children. The responses of firms who offered health insurance and those who didn't were quite similar.