

***Small Employer Health
Insurance Survey***

March 2013

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Introduction and Methodology

The Spring 2013 Small Employer Health Insurance Survey, conducted by eHealth, Inc., America’s first and largest private online health insurance exchange, focuses on small employers’ knowledge of their responsibilities and opportunities under the Affordable Care Act (ACA). Major consumer provisions of the law are scheduled to come into effect January 1, 2014.

eHealth invited small business owners who had purchased coverage through the company’s website (eHealthInsurance.com) and who still had coverage in effect to participate in the survey. The anonymous survey was conducted online between February 12 and February 15, 2013, and gathered a total of 259 responses. 95 percent of respondents had between 2 and 10 employees. All respondents reported having fewer than fifty employees.

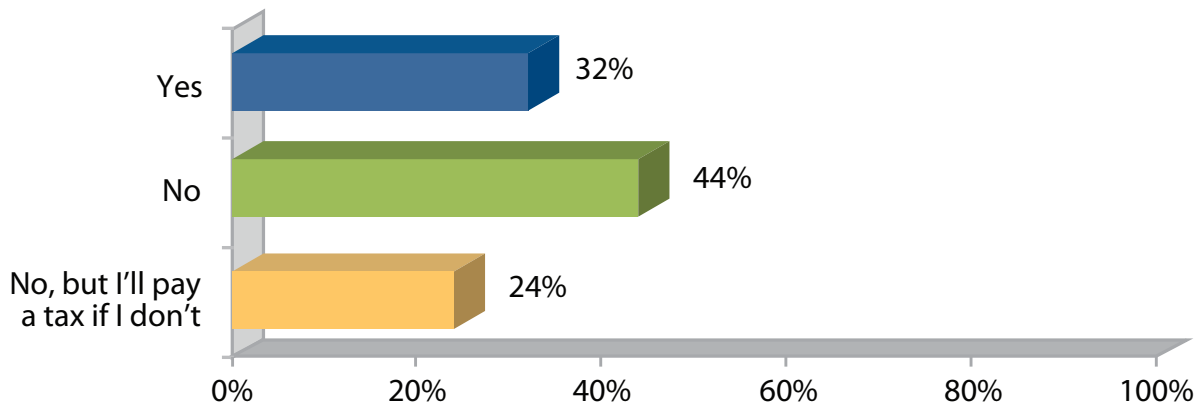
Key Statistics and Charts

Misunderstanding the Mandate

eHealth conducted a similar survey in August of 2012, when the looming Presidential election cast some doubt on the future of the ACA. At that time, survey results showed that sixty-nine percent (69%) of small employers misunderstood the provision of the law known as the employer mandate, requiring businesses with fifty or more full-time workers to provide health insurance coverage to their employees.

The current survey shows that the number of small employers who misunderstand the employer mandate has shrunk to a slim majority of fifty-six percent (56%).

To the best of your knowledge, does health care reform require you to offer your employees health insurance next year?

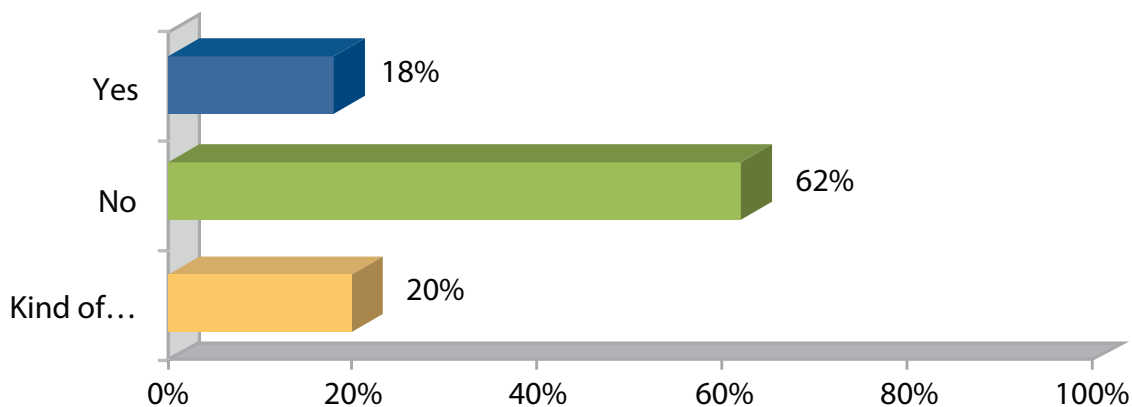


- Almost a third (32%) of respondents incorrectly believe that they will be required by the health reform law to provide group health insurance in 2014.
- Nearly a quarter (24%) incorrectly believe that they will be required to pay a penalty if they fail to provide group coverage in 2014.

Health Insurance Exchanges

Government-run exchanges, which are slated to come online in October of 2013, would make subsidized health insurance available for lower-income people who don't get health insurance from their employer, starting in 2014. The ACA also calls for the creation of Small Business Health Options Program or "SHOP" Exchanges for small businesses.

Can you confidently define or explain what a health insurance exchange is?

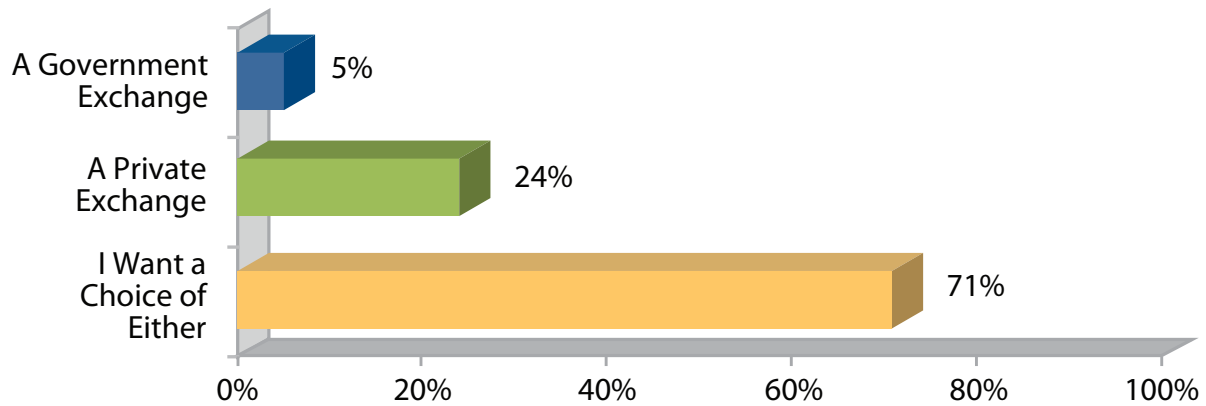


- Fewer than two-in-ten small employers (18%) say they can confidently define or explain what a health insurance exchange is.
- Two-thirds (62%) admit to not understanding exchanges at all.
- Twenty percent (20%) say they have only a vague understanding of the role that exchanges are expected to play.

Buying Insurance through Exchanges

Small employers prefer a diversity of choices when it comes to shopping for coverage. The survey reveals that the overwhelming majority of small business owners do not want to be forced to buy health insurance through any single source, such as a government exchange or through a private marketplace/exchange like eHealthInsurance.com.

If you could achieve the same outcome, where would you prefer to shop for health insurance?

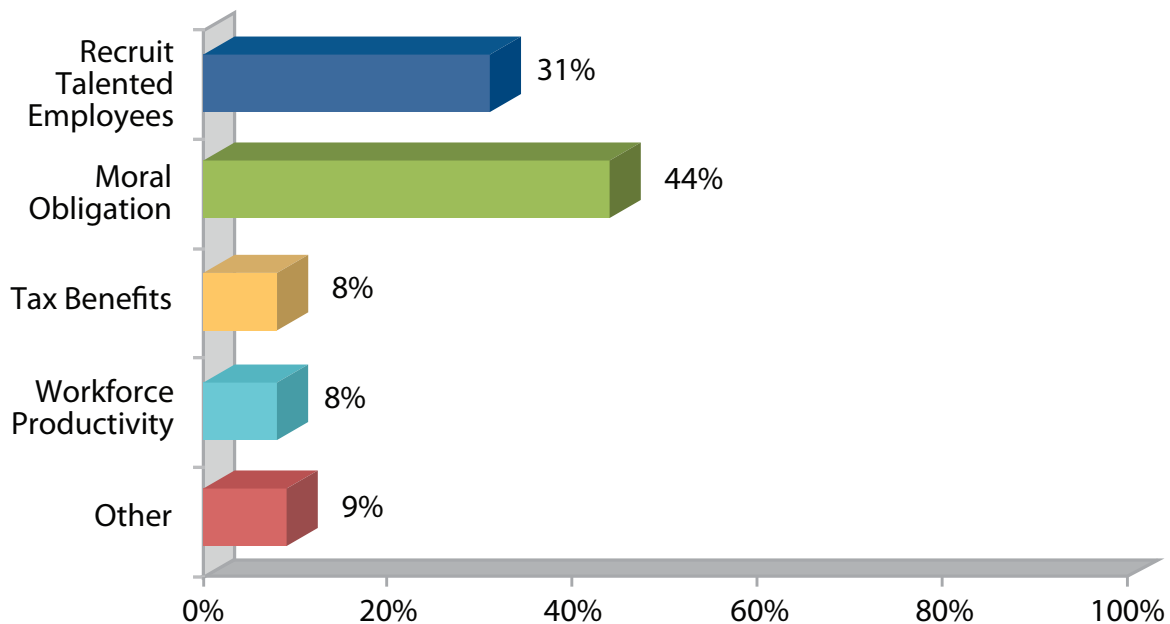


- More than two-thirds (71%) say they want the option to buy their health insurance coverage from the source of their choice.
- About a quarter (24%) said they would prefer to work exclusively with a private company to find health insurance.
- Only five percent (5%) say they would prefer to work exclusively with a government exchange.

Why Small Businesses Offer Employee Coverage

Past surveys have shown that employers offer health insurance to employees, first and foremost, because they feel morally obligated to do so. According to this year's survey, this sense of moral obligation is still the number one reason cited to explain why small employers choose to provide coverage.

What is the primary reason you offer health insurance to employees?

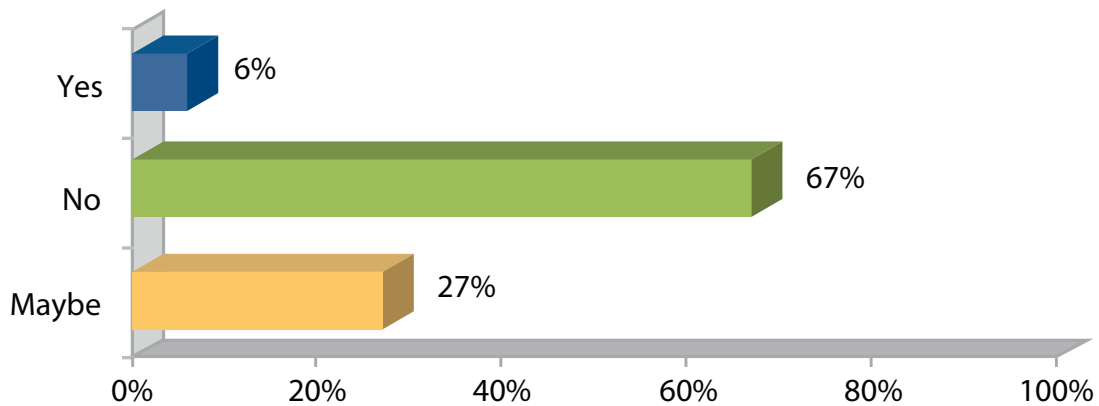


- Forty-four percent (44%) feel morally obliged to offer health insurance to employees.
- Thirty-one percent (31%) feel that offering coverage helps them hire and retain the best workers.
- The report also found that a majority of small employers (70%) believe it's possible their employees would look for work elsewhere if they stopped providing health insurance.

The Possibility of Dropping Employer-Based Insurance

Beginning in 2014, the sensed moral obligation to provide coverage could erode for some employers as access to individual insurance becomes guaranteed, regardless of an applicant's medical history. In the past, access to employer-based insurance was guaranteed, but individuals who applied for coverage on their own could have been declined based on pre-existing medical conditions. Most small employers, however, do not anticipate dropping their group coverage.

Based on your current knowledge of health reform, would you drop health insurance for your employees in 2014?

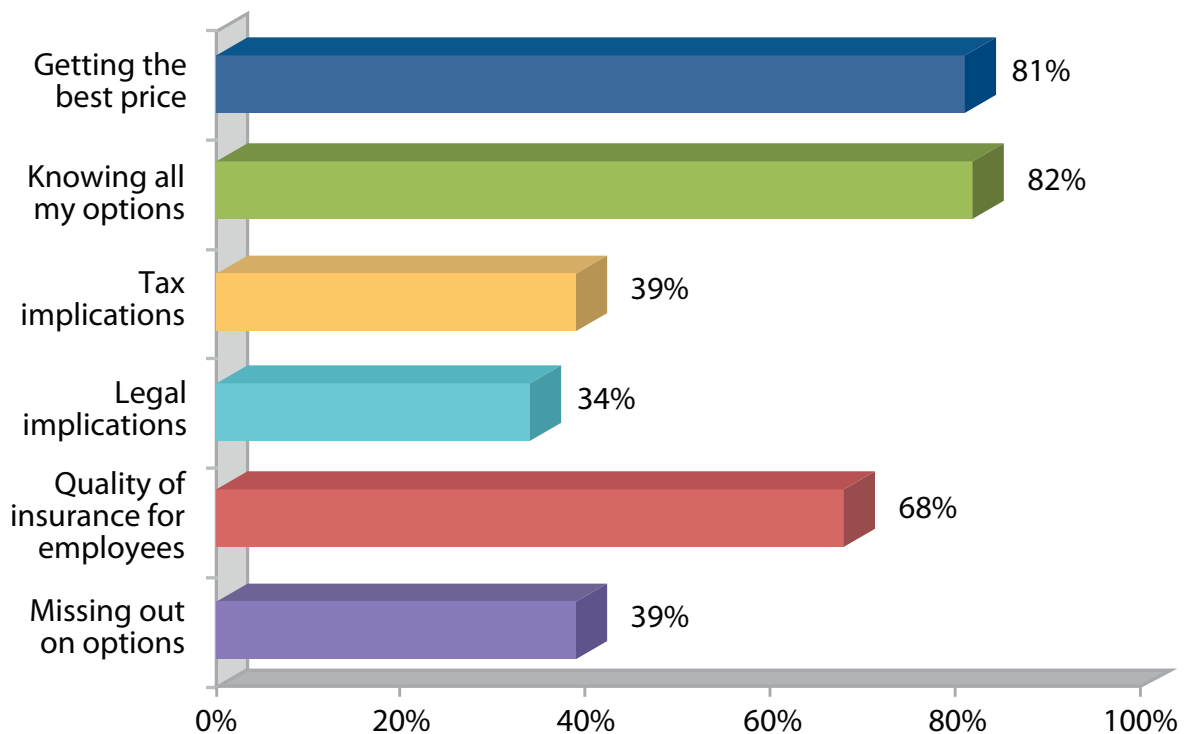


- Two-thirds (67%) of small business owners say they would not stop offering their employees health insurance in 2014.
- Only six percent (6%) say they'll definitely stop offering health insurance to employees in 2014.
- About a quarter (27%) say they may stop offering health insurance under certain circumstances.
- Most (91%) of the small employers who are considering dropping insurance for employees say that the cost of providing health insurance impacts their decision.

Health Insurance Assistance in 2014

All of the employers in this survey purchased their current group coverage through eHealthInsurance.com, a licensed health insurance marketplace. Most employers surveyed (70%) believe they'll need help understanding and securing health insurance when new rules become effective in 2014. The survey asked respondents to name the things they would be most concerned about if forced to shop for coverage without a broker.

If you had to shop for health insurance on your own, what would be your biggest concern(s)?



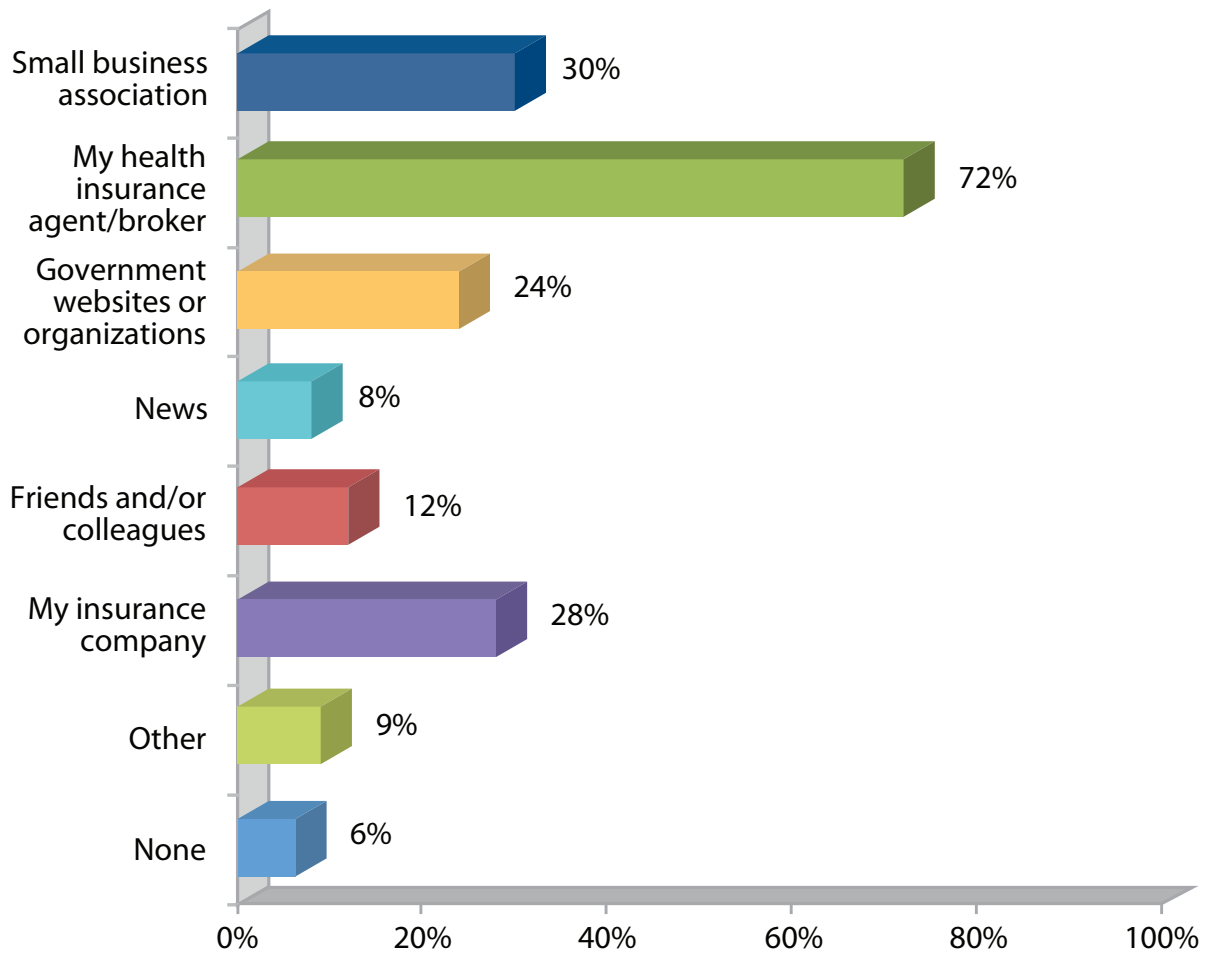
(More than one response was allowed to this question)

- More than eight-in-ten (82%) would worry about knowing all their coverage options.
- The same amount (81%) would be concerned about getting the best price.
- More than two-thirds (68%) would worry about finding the highest quality coverage.

The Value of Licensed Agents and Brokers

Employers admit to being confused by the Affordable Care Act and say they're most likely to turn to their agent or broker when they have questions. The survey asked small employers to list their most trusted sources for health insurance information (more than one reply was allowed):

If you have questions about health care reform and how it impacts your business, who do you trust the MOST to answer your questions?



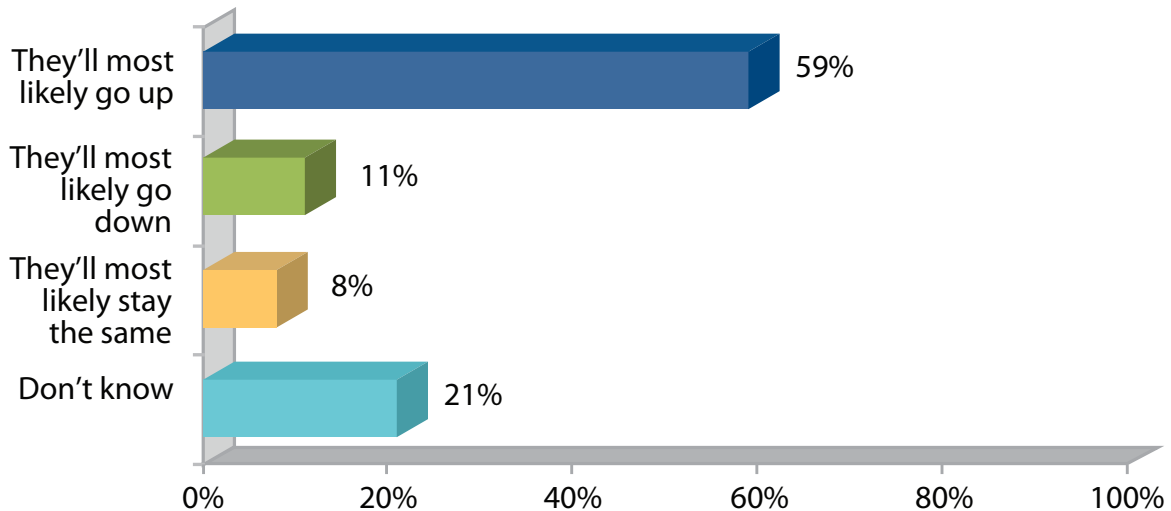
(More than one response was allowed to this question)

- Nearly three-quarters (72%) said they most trust their health insurance agent or broker.
- More than a quarter (30%) said they trust their small business association or group.
- A similar number (28%) said that they trust their insurance company.
- Only about one-quarter (24%) said that they trust the government for reliable health insurance information.

Expectations for Health Insurance Costs in 2014

No one can predict precisely how the cost of employer group health insurance coverage will be affected after the implementation of the 2014 health reform provisions. However, the cost of providing coverage to employees is a persistent concern among small business owners.

How do you think the health care reform law will impact prices over the next few years?*



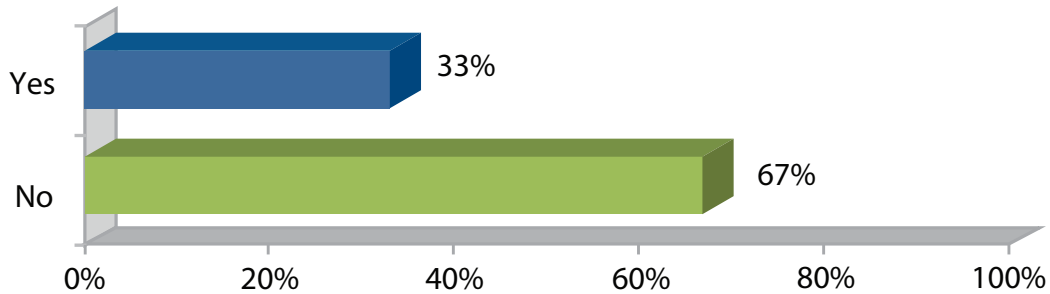
- A majority of small employers (59%) expect costs to go up as a result of the health reform law.
- Only eleven percent (11%) say they think costs will go down.
- About two-in-ten (21%) admit they don't know what will happen to costs.
- Only eight percent (8%) do not expect the ACA to impact costs at all.

* Responses may add up to slightly more or less than 100% due to rounding.

Health Reform and Hiring New Employees

Many of the provisions of the ACA are focused on the individually-purchased health insurance market rather than the employer-based health insurance market. However, many small employers expect to be affected by the law when it comes to hiring workers.

Does the employer mandate to provide health insurance for employees have any impact on your plans to hire new employees next year?



- A third (33%) of small employers expect health reform will have an impact on their plans to hire new workers in 2014.
- Two-thirds (67%) do not expect health reform to affect their hiring plans in 2014.
- Among those employers who correctly interpret the employer mandate, eighteen percent (18%) say that the Affordable Care Act will have an impact on their hiring plans for 2014.

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