

***Fall 2012 Small Employer
Benefits Survey***

October 2012

Survey Background and Methodology

eHealth, Inc. conducted an anonymous online survey of 439 small employers and self-employed business owners who purchased their health insurance through eHealthInsurance.com to gain insight into trends in customer behavior and sentiments about health care costs, health care reform legislation and potential cost-saving strategies. This report summarizes those findings. The survey was emailed to a random sample of eHealthInsurance customers and results were collected between August 15 and August 22, 2012. Those who responded to the survey were presented with a \$10 reward. Numbers used in the report summary and charts are rounded to the nearest full percentage. Numbers in the detailed responses below are given to the nearest first decimal. The combined total may exceed or fall under 100% due to rounding.

Average employer size – Two-fifths of the employers who responded to the survey (40%) provided health insurance for employees; among those, the average employer had 5 employees; ninety-five percent (95%) had between 1 and 10 employees, three percent (3%) had between 10 and 30 employees and less than two percent (1.6%) had between 90 and 60 employees

Table of Contents

Reviewing and Selecting Benefits	1
Involving employees in the process of buying health insurance	
Health Reform	1
Misconceptions about health reform legislation	
The requirement for employers to provide health insurance	
The requirement to pay additional taxes	
Employers planning to drop health insurance coverage in 2014	
Primary concerns about health reform	
Health insurance rebates	
Employer Strategies.....	2
Cost-saving strategies	
Thoughts about reducing benefits	
Wellness initiatives	
Key Statistics and Charts.....	3

Reviewing and Selecting Benefits

Involving employees in the process of buying health insurance – More than half of the small employers in the survey (59%) who provide insurance for their employees say they ask their employees for input when reviewing their company's health insurance benefits. Just a little more than a quarter (28%) of employers said they never ask their employees for input, and more than one-in-ten (13%) get input from employees on occasion.

How often do employers review their plan benefits?

- The majority of small employers (83%) said they review their companies' health plan benefits once a year.
- About one-in-twelve (8%) review their plan benefits every six months.
- Only about seven percent (7%) review their plan benefits every time they get a rate increase.

Health Reform

Misconceptions about health reform legislation – When it comes to health reform legislation, many small employers still hold misconceptions about what health care reform requires them to do for employees.

The requirement to provide health insurance – Only two employers in the survey had more than 50 employees. However, one-third (34%) incorrectly believed that they were required to buy insurance for employees and about one-third (35%) did not know if they would be required to do so in 2014. Slightly less than one-third (31%) knew that they were not required to provide health insurance to their employees.

What's in the law – Under the ACA, employers with fewer than 50 full-time employees are not required to buy health insurance for those employees.

The requirement to pay additional taxes if you do not provide health insurance for employees – More than one-third (35%) percent did not know that they would not be required to pay a tax for not providing health insurance in 2014. Fewer than one in four respondents correctly said that the reform law does not require them to a pay tax if they don't offer insurance.

What's in the law – Under the ACA, employers with fewer than 50 full-time employees are not required to pay a tax penalty of any kind if they do not provide health insurance for employees. Only two employers in the survey had more than 50 employees.

Employers' plans for offering health insurance coverage to employees in 2014 – About one-third of employers (32%) said they would either consider dropping health coverage for employees (29%) or definitely drop health coverage for their employees (3%) in 2014. The majority (68%) said they would not drop coverage for employees in 2014.

Primary concerns employers have about health reform – When it comes to health care reform, the majority (61%) of small employers are most concerned about the cost and budgetary implications of the law.

- One-in-four (25%) said understanding the impact on their businesses was their biggest concern.
- Only 3% said communicating changes to employees was their biggest concern.
- About one-in-ten (11%) said they are not concerned about health care reform.

Employers not planning for health care reform – The vast majority of small employers (77%) said that they were not doing any long-term planning based on their expectations of how health care reform might impact their business.

Health insurance exchanges – When it comes to health reform legislation, a large majority of small business owners (78%) said they did not know how health insurance exchanges could impact their business beginning in 2014.

Health insurance rebates – Health care reform requires insurers to issue rebates to customers when they spend less than eighty to eighty-five percent of health care premiums on health care in 2011.

- Only about one-fourth (24%) of the employers surveyed actually got a rebate. And, about two-fifths (41%) of the employers who did not get a rebate were happy their insurer managed costs in accordance with the new health reform law in 2011.
- Two-thirds (65%) of small employers said getting a rebate would make them feel better about their insurance company.

Got a rebate – Among those employers who did receive a rebate, forty percent (40%) shared it with their employees, either by lowering their health insurance premiums (42%) or by giving them individual rebate checks (33%).

Did not get a rebate – Employers who did not receive a rebate were split fairly evenly on the issue; forty-two percent (42%) were upset about not getting a rebate, while forty-one percent (41%) were happy not to get a rebate. Sixteen percent (16%) thought the rebates were a waste of time and money.

Employer strategies to cut health care costs

Cost-saving strategies – When it comes to saving money on health insurance, most employers were willing to adopt new strategies.

Reducing benefits – eHealth's Small Employer Survey published in March of 2012 found that most employers offer health insurance either due to a moral obligation (44%) or because they need to provide health insurance to recruit and retain talented employees (33%). In this latest survey, eHealth researched employer's willingness to reduce benefits in order to manage costs.

- More than half (51%) said that they would consider increasing an employee's share of premiums.
- More than one-third (39%) said that they would consider increasing an employee's deductible.
- One-in-ten (10%) said that to save costs they would consider reducing an employee's health insurance benefits but would want to offer less expensive benefits like life insurance, dental insurance and vision insurance to offset reductions to health coverage.

Wellness initiatives – eHealth also researched employers' feelings about wellness programs. Altogether, nearly half of the employers surveyed (44%) felt it would be fair to impose penalties on employees who don't participate in wellness programs.

The penalties most employers were comfortable with include:

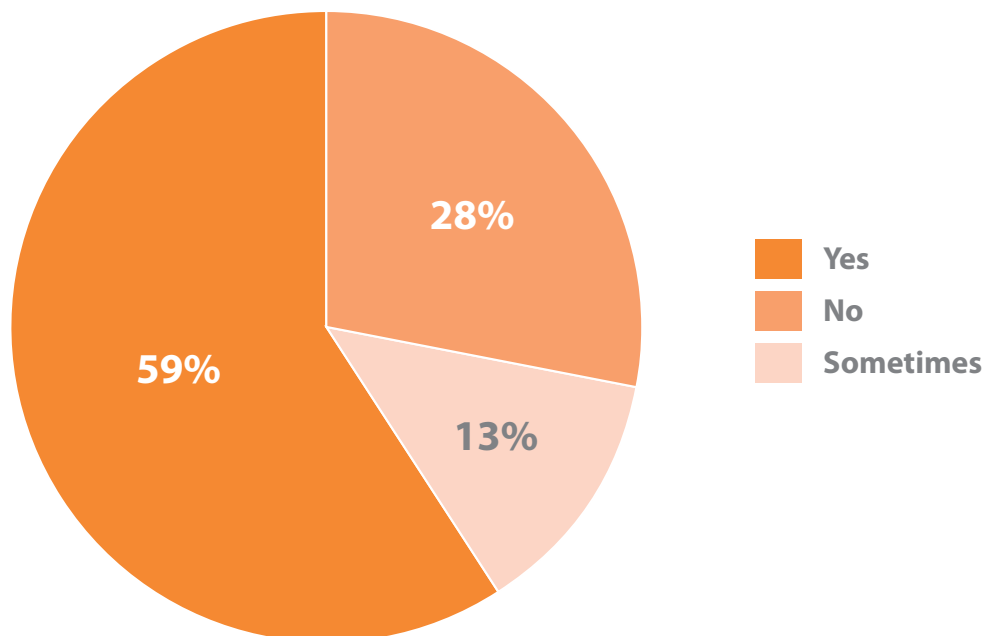
- Raising health insurance premiums – thirty-three percent (33%)
- Imposing a surcharge – fourteen percent (14%)
- More than 40% of employers willing to penalize employees said they would consider any of the following to be acceptable penalties:
 - Reducing health insurance benefits
 - Reducing benefits like dental and vision coverage
 - Reducing 401k contributions, stock options or bonuses

Key Statistics and Charts

Involving employees in the purchase process

More than half of the small employers in the survey (59%) who provide insurance for their employees say they ask their employees for input when reviewing their company's health insurance benefits.

Do you ask for input from your employees about your company's health insurance plan?

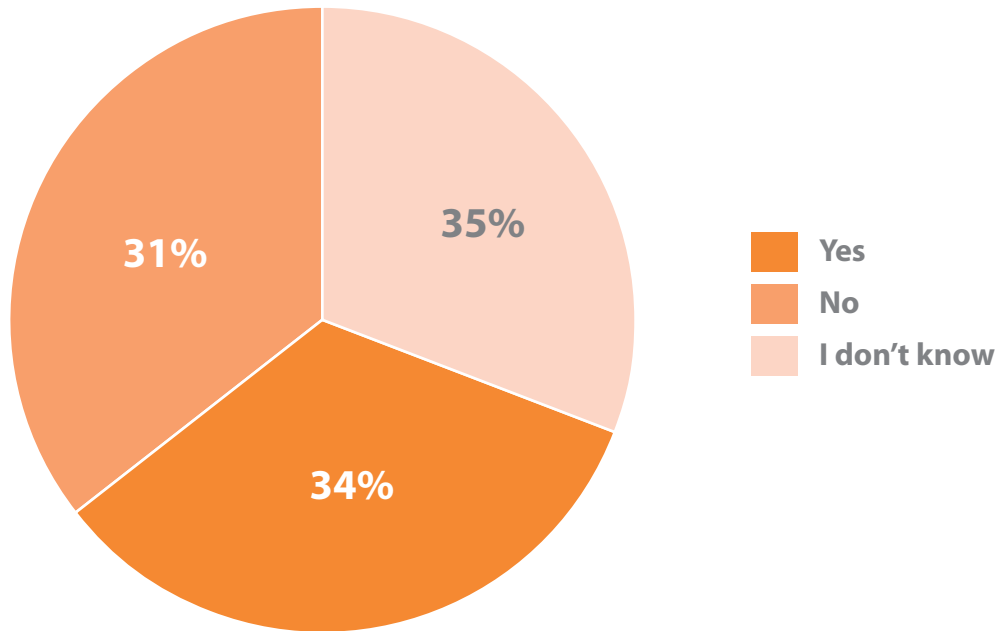


- Fifty-nine percent (59%) of employers said they get input from employees about their company's health benefits.
- Twenty-eight percent (28%) of employers said they never ask their employees for input on health insurance benefits.
- Thirteen percent (13%) of employers said they get input from employees about their company's health benefits on occasion.

The requirement to provide health insurance

Under the ACA employers with fewer than 50 full-time employees are not required to buy health insurance for employees. Only two of the employers in the survey had more than 50 employees.

To the best of your knowledge: Does health care reform require you to provide health insurance for your employees in 2014?

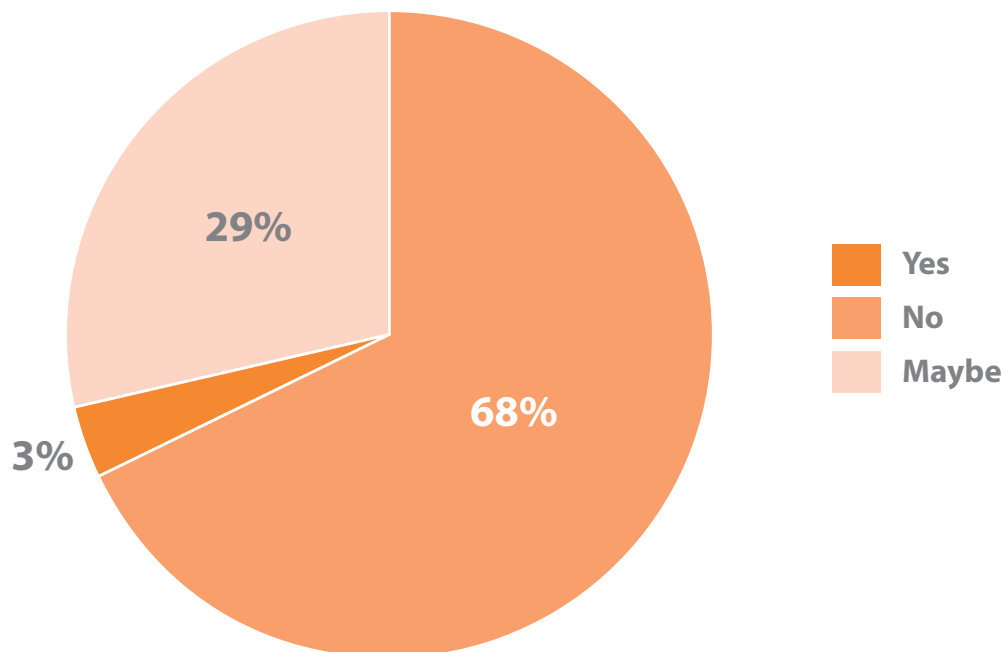


- Thirty-four percent (34%) incorrectly believed that they were required to buy insurance for employees in 2014.
- Thirty-five percent (35%) did not know if they would be required to buy insurance for employees in 2014.
- Thirty-one percent (31%) knew that they were not required to provide health insurance to their employees.

Are employers planning to stop offering health insurance coverage to employees in 2014?

The Affordable Care Act calls for the creation of health insurance exchanges in 2014, which would allow employees to buy subsidized health insurance on the individual health insurance market, without risk of being declined due to a pre-existing condition. This could theoretically eliminate the moral obligation some employers feel to provide health coverage for their employees.

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

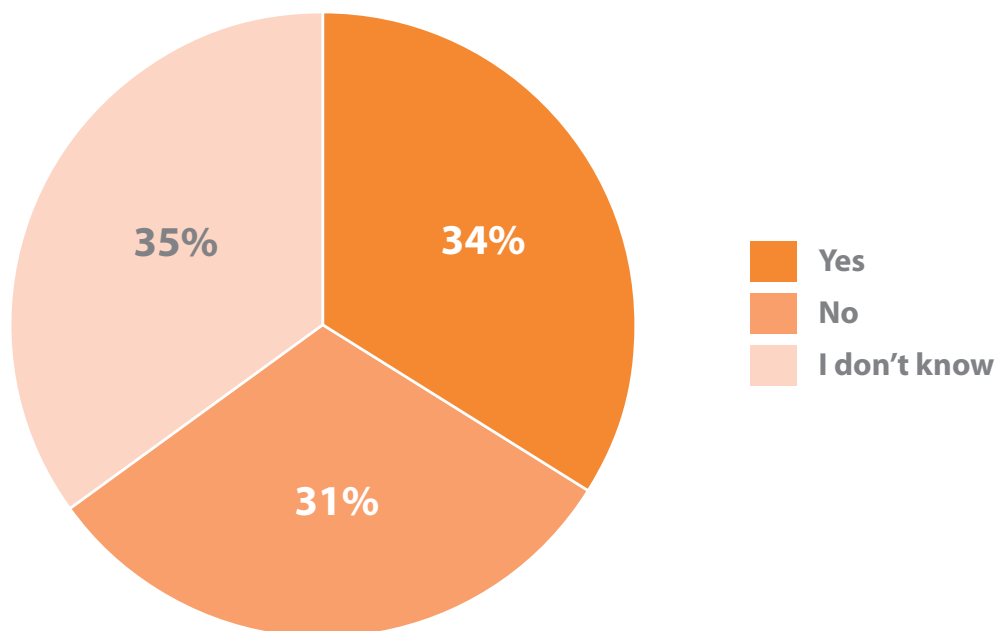


- Twenty-nine percent (29%) of employers said they would consider dropping health coverage for employees in 2014.
- Only three percent (3%) said they would definitely drop health coverage for their employees in 2014.
- Sixty-eight percent (68%) of employers surveyed said they would not drop coverage for employees in 2014.

The requirement to pay additional taxes if you do not provide health insurance for employees

Health care reform does not require employers with fewer than 50 full-time employees to pay a tax penalty of any kind if they do not provide health insurance for employees. Employers with 51 to 199 full-time employees must pay a \$2,000 tax penalty for each of their employees who purchase health insurance through an exchange. But, they're exempt from paying taxes for the 20 employees who do so. Only two employers in the survey had more than 50 employees; both of whom answered the question correctly, based on their size.

To the best of your knowledge: Will health care reform require your business to pay a tax if you DO NOT provide health insurance for employees in 2014?



- Thirty-four percent (34%) of the employers in the survey thought they would be required to pay a tax for not providing health insurance in 2014.
- Thirty-five percent (35%) did not know if they would be required to provide health insurance for their employees.
- Only thirty-one percent (31%) of the survey respondents correctly said that health reform law would not require them to pay a tax if they don't offer insurance.

Media Contacts

Media Inquiries:

Brian Mast, Vice President of Communications
(650) 210-3149
brian.mast@ehealth.com

Nate Purpura, Director of PR and Communications
(650) 210-3115
nate.purpura@ehealth.com