

***Small Employer Health  
Insurance Survey***

*March 2012*

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## Survey Background and Methodology

eHealth, Inc. conducted an anonymous online survey of 236 eHealthInsurance.com small business customers 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 nearly 3,000 eHealthInsurance small business customers in 30 states plus the District of Columbia (AK, AL, AR, CA, AZ, NJ, FL, TX, MI, WA, MD, IN, DC, CO, VA, MO, TN, WI, NC, ID, SC, MN, DE, CT, LA, IA, MA, NE, NH, NM, WY). Results were collected between February 10 and March 13, 2012. The full text of the questions asked are provided at the end of this report. Numbers and percentages used in the report summary and charts are rounded to the nearest full number. Combined percentage totals may exceed or fall under 100% due to rounding. See the Methodology Note for more details.

The majority of businesses that responded to the survey had 10 employees or fewer (88%); ten percent of businesses surveyed had between 11 and 25 employees; only two percent had between 26 and 50 employees. Some small business owners did not provide health coverage to all of their employees. For example, some employers may only offer coverage to full-time employees or they may impose waiting periods before they allow new employees to join their small group plan. Likewise, some employees may not want coverage from their employer because they have coverage through another source, like a spouse. When we asked the same employers how many employees were actually covered by their small group plan, 88% said they had six or fewer employees on their group health plan.

## Summary of Findings

**Important Benefits** - It's no surprise that cost is the primary concern of small business owners when it comes to offering health insurance to employees. Nearly all survey respondents (95%) selected affordability as one of the two most important factors when choosing a plan. After affordability, the most important factor when considering different health plans was richness of benefits (68%), while a much smaller percentage (25%) felt that access to physicians was one of the two most important benefits of a health insurance plan. Four percent considered Health Savings Accounts (HSAs) important and six percent cited insurer brand.

**Monthly Premiums** - When it came to spending for health insurance, nearly eight-in-ten employers (79%) report spending \$200 or more per month for insurance per insured employee and/or dependent. One-in-five (20%) spent between \$200 and \$300; one-in-five (21%) spent between \$300 and \$400; more than one-in-ten (15%) spent between \$400 and \$500; and more than one-in-five (23%) spent over \$500 each month per employee or dependent. A slight majority of respondents (53%) required employees to contribute 10% or less toward the cost of their own and/or their dependents' health insurance premiums, while one-third (34%) said that they required employees pay for 50% or more of their own and their dependents' monthly premiums.

**Annual Deductibles** - When asked to estimate the average deductible for their employee's health insurance plans, responses varied greatly. One-in-five (21%) said employees had annual deductibles of less than \$500, while nearly the same amount (19%) said employee deductibles were between \$501 and \$1,000, or else between \$1,001 and \$1,500 (21%). Altogether, 61% of respondents reported annual deductibles of \$1,500 or less per year. A small percentage (6%) had deductibles between \$1,501 and \$2,000 while one-third (33%) had deductibles of \$2,001 or higher. Roughly one-in-five (19%) had deductibles between \$2,001 and \$2,500, while 14% reported deductibles over \$2,501 per year.

**Cost-Saving Strategies** - The majority of employers surveyed were willing to find creative solutions in order to save money on health insurance costs. Nearly three fourths (74%) of respondents were willing to consider raising employees' deductibles and offering optional accident and/or critical illness insurance to offset the additional risk of a high-deductible plan, if it meant they could keep their premiums lower. More than one-in-five (23%) offered wellness programs or actively looked for ways to encourage employees to stay healthy in order to reduce health care costs. About half of employers surveyed (53%) said that they always or sometimes imposed waiting periods on employees before allowing them to join their company's health insurance plan. More than half (58%) said that they would consider dropping benefits like dental and vision coverage if it meant they could continue to offer employees health insurance coverage.

**Why Employers Provide Health Coverage** - When asked why they offer health insurance to employees, more than two-in-five (44%) employers said they felt a moral obligation to provide employees with health insurance. Nearly one-third (31%) said they needed to provide health insurance in order to recruit and retain talented employees. Eight percent of respondents said they provided employees with health insurance for the tax benefits, while another 8% said they provided health insurance in order to increase workforce productivity. Roughly one-in-ten (9%) provided an answer not listed in the survey but popular answers included, "pre-existing conditions," and "it is the right thing to do."

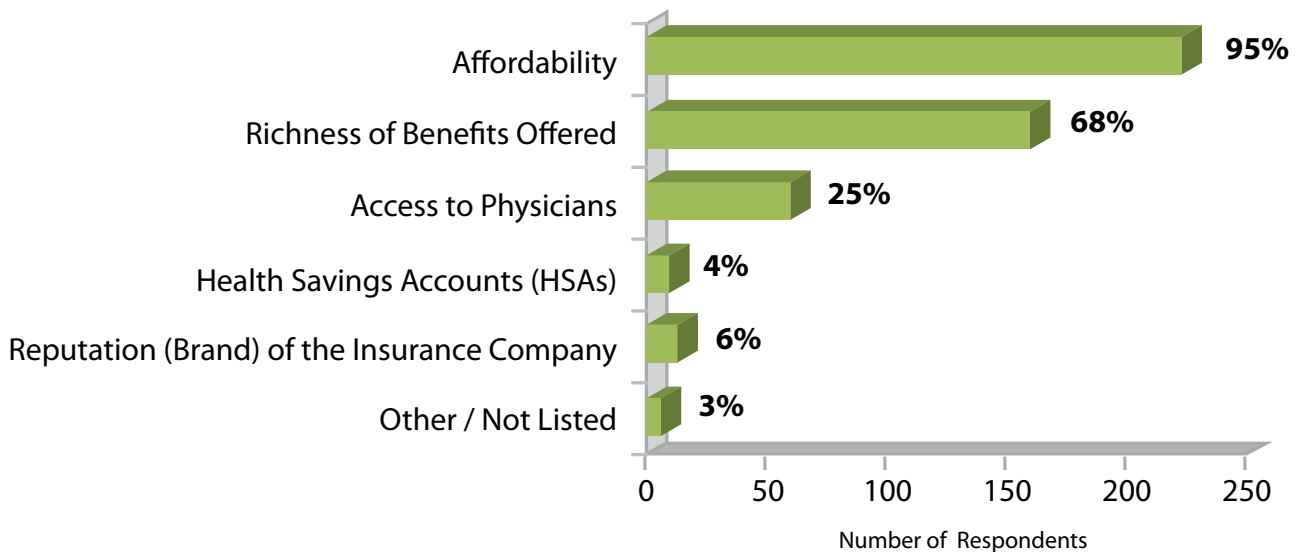
**Employers' Reactions to Health Care Reform** - When it comes to health reform legislation, a large majority of small business owners (78%) said they did not know how health insurance exchanges could benefit their business beginning in 2014. About one-in-twenty (6%) of all employers surveyed said they would drop health insurance coverage for their employees in order to save money after health reform legislation goes into effect in 2014. Nearly two-thirds (60%) said they would not drop health insurance coverage for their employees in order to save money after health reform legislation goes into effect, and about a third (34%) said they would consider it in 2014. The vast majority of small employers (85%) said that they were not doing any planning based on their expectations of how health care reform might impact their business in a positive or negative way. Among those employers (22%) that reported being well informed about the potential benefits of health insurance exchanges, a component of the health reform law, barely one-in-twenty (6%) said they would drop health coverage for their employees in 2014 in order to save money. Over two-thirds (69%) said they would not drop coverage for employees.

# Key Statistics and Charts

## Important Benefits to Small Business Owners

Small business owners overwhelmingly look for affordability in a health insurance plan before considering any other factor.

**When shopping for and comparing health insurance coverage for employees, what's the most important factor you look for in a plan? (Please pick the top 2)**

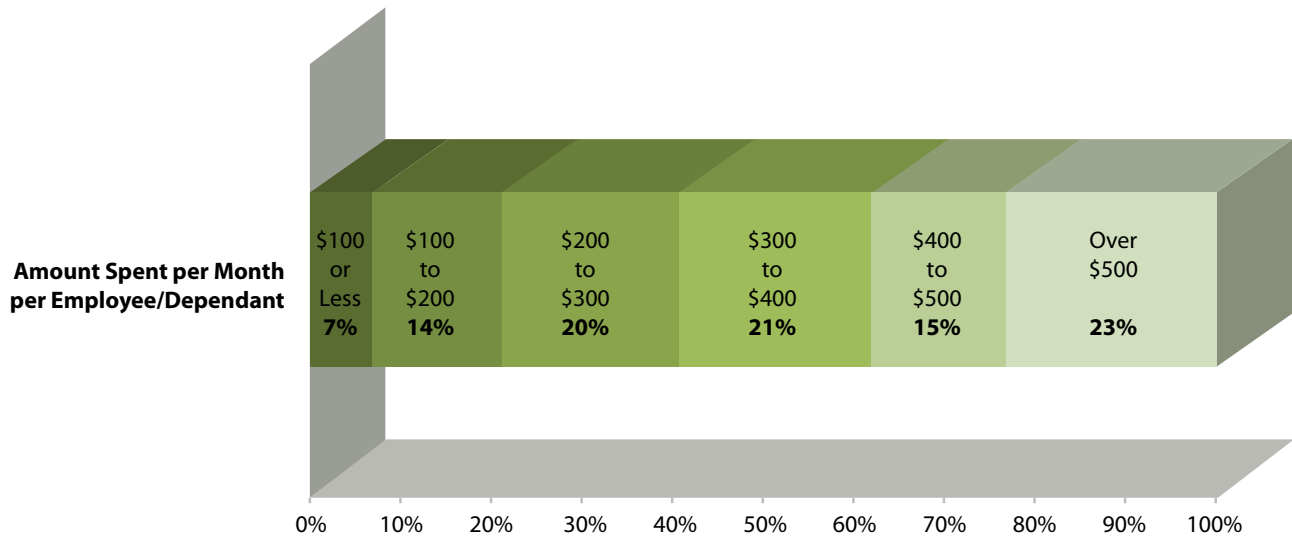


- Nearly all survey respondents (95%) selected affordability as one of the two most important factors of a health insurance a plan.
- A smaller number of employers felt richness of benefits (68%) was one of the two most important factors of a health insurance plan.
- One-fourth of employers surveyed (25%) felt access to physicians was one of the two most important factors in choosing a health insurance plan.
- Less than five percent (4%) of small employers felt Health Savings Accounts (HSAs) were a top-two priority.
- One-in-twenty (6%) respondents listed the brand name of the insurance company as an important factor when considering health plans.

## Insurance Costs and Affordability

Almost all of the employers surveyed said affordability was an important attribute of a health insurance plan. The majority of small employers (59%) said they contributed over \$300 per month towards premiums for employees and/or their dependents.

### How much do you spend per month to provide health insurance for your employees and/or their dependants (individually)?

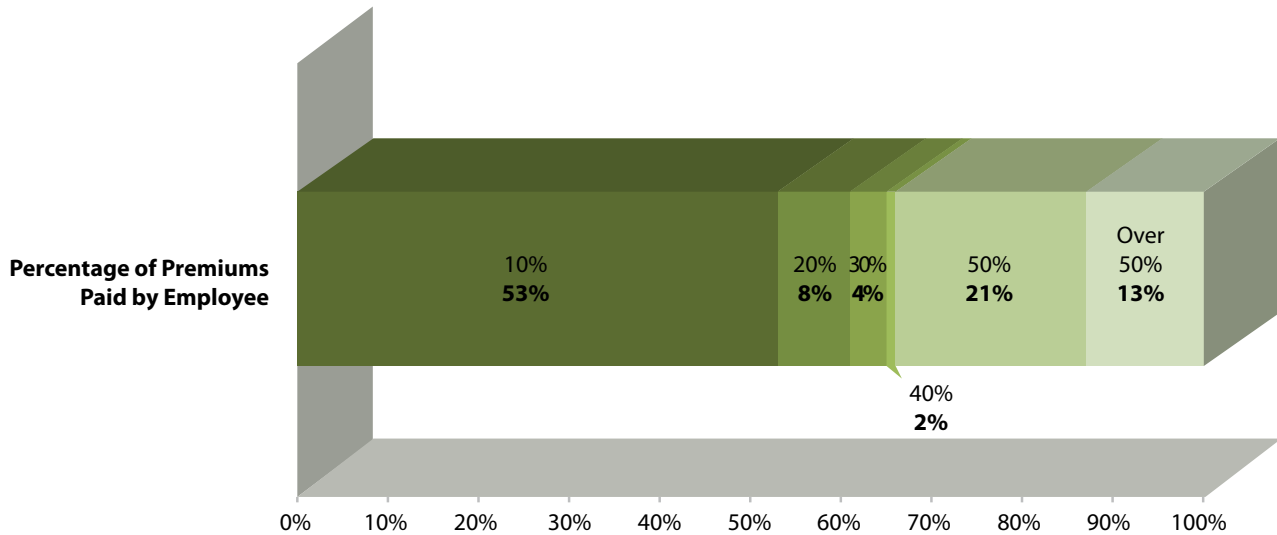


- Three-fourths (79%) of employers spent \$200 or more per month for insurance per employee and/or dependant.
- One-in-five (20%) spent between \$200 and \$300.
- One-in-five (21%) spent between \$300 and \$400.
- More than one-in-ten (15%) spent between \$400 and \$500 per employee or dependent.
- One-in-five (23%) spent over \$500 a month per employee or dependent.

## Employee and/or Dependant Contributions

While many employers were spending over \$300 per employee or dependent per month, a majority only asked employees to make a small contribution to cover the cost of their health insurance premiums.

### Approximately what percentage of monthly premiums do your employees pay for on their own?

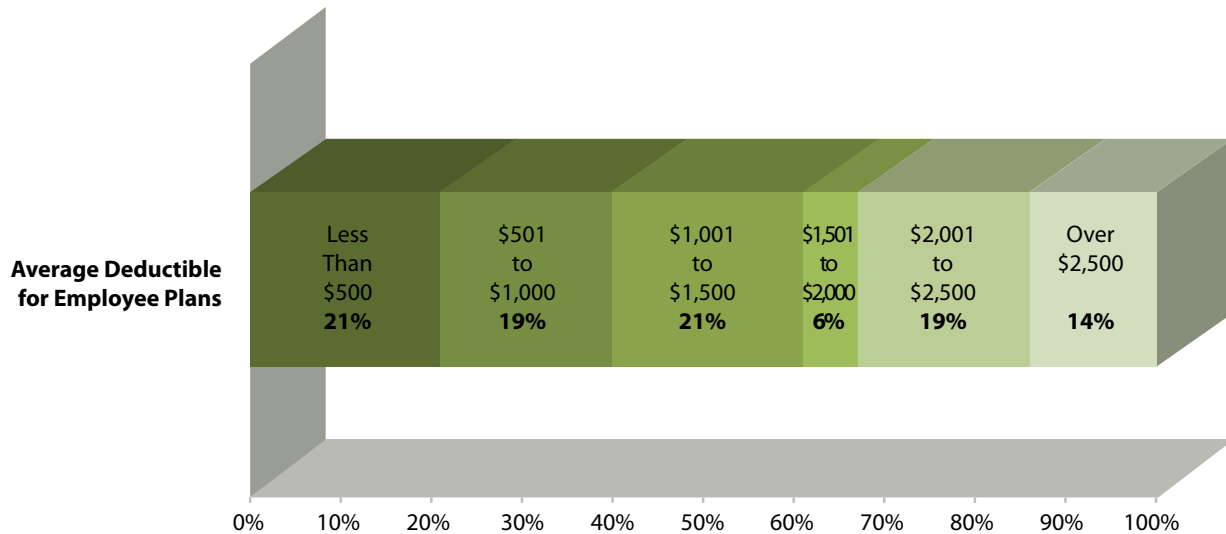


- A slight majority (53%) required employees to contribute 10% or less toward the cost of their own health insurance premiums.
- Two-thirds (67%) required employees to contribute 40% or less to cover the cost of their monthly premiums.
- One-third (34%) required employees to pay for 50% or more of their (or their dependents') monthly premiums.

## Annual Deductibles

Though nearly all respondents valued affordability in a plan, most (61%) offered group plans with relatively low annual deductibles (\$1,500 or less). In many cases, plans with lower monthly deductibles have higher monthly premiums.

### What is the average deductible for your employees' health insurance plans?



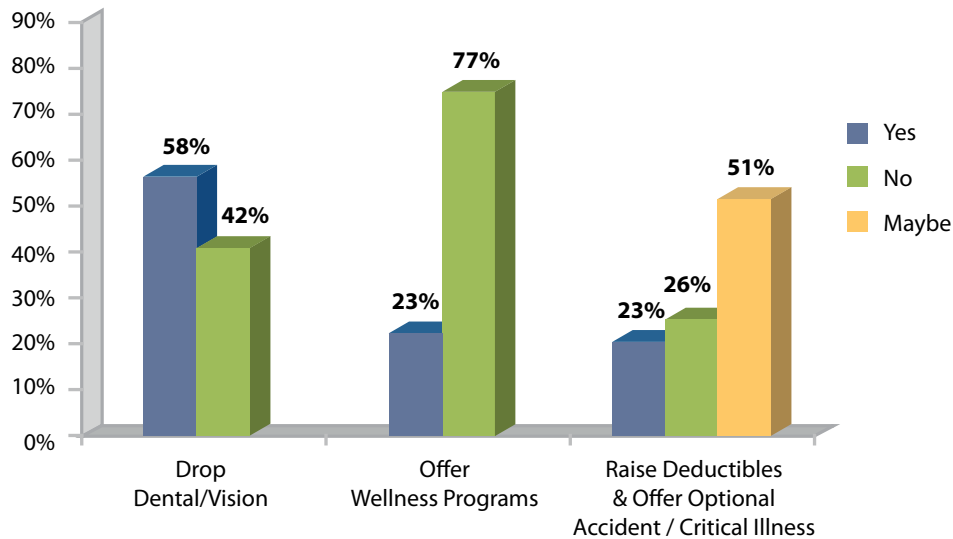
- One-in-five (21%) said employees had annual deductibles of \$500 or less.
- Nearly one-in-five (19%) said employee deductibles ranged from \$501 to \$1,000.
- One-in-five (21%) said employee deductibles ranged from \$1,001 to \$1,500.
- One-third (33%) had deductibles of \$2,001 or higher.
- Almost one-in-five (19%) had deductibles between \$2,001 and \$2,500.
- 14% had annual deductibles over \$2,501.



## Cost-saving Strategies

The majority of small employers were willing to find creative solutions in order to save money on health insurance. Creative solutions could include dropping dental or vision coverage, sponsoring wellness programs, or raising deductibles and offering employees accident or critical illness coverage to offset risks.

### What do you do / what are you willing to do to save money on monthly health insurance costs?

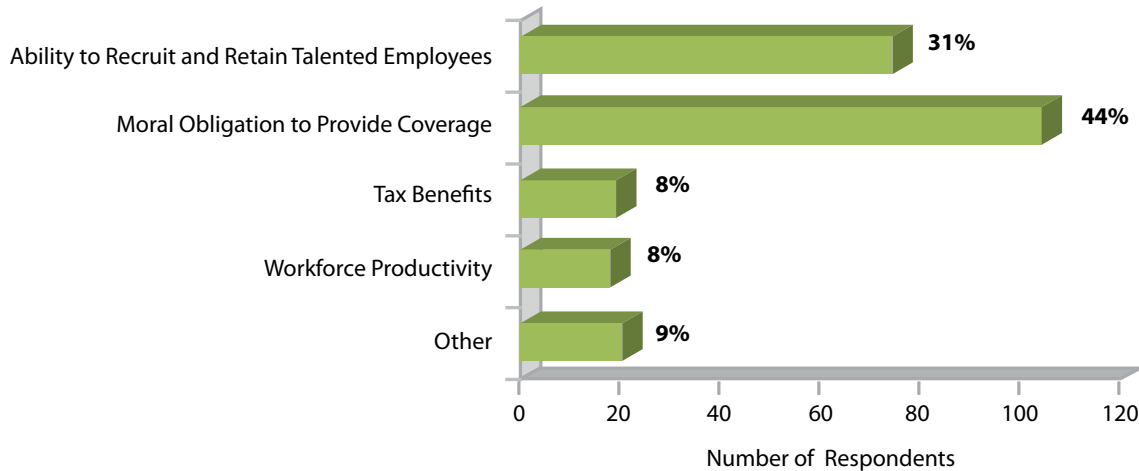


- Nearly three fourths (74%) said they would raise, or were willing to consider raising, employees' deductibles and offer optional accident and/or critical illness insurance to offset the additional risk of a high-deductible plan, in order to keep premiums low.
- One-in-five (23%) offered wellness programs or actively looked for ways to encourage employees to stay healthy in order to reduce health care costs.
- More than half (58%) said they would consider dropping benefits like dental and vision coverage if it meant they could continue to offer employees health insurance coverage.

## Why Small Employers Offer Coverage

When asked, small employers were most likely to say that they offered employer-based group health insurance out of a sense of moral obligation or to help them recruit and retain talented employees.

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

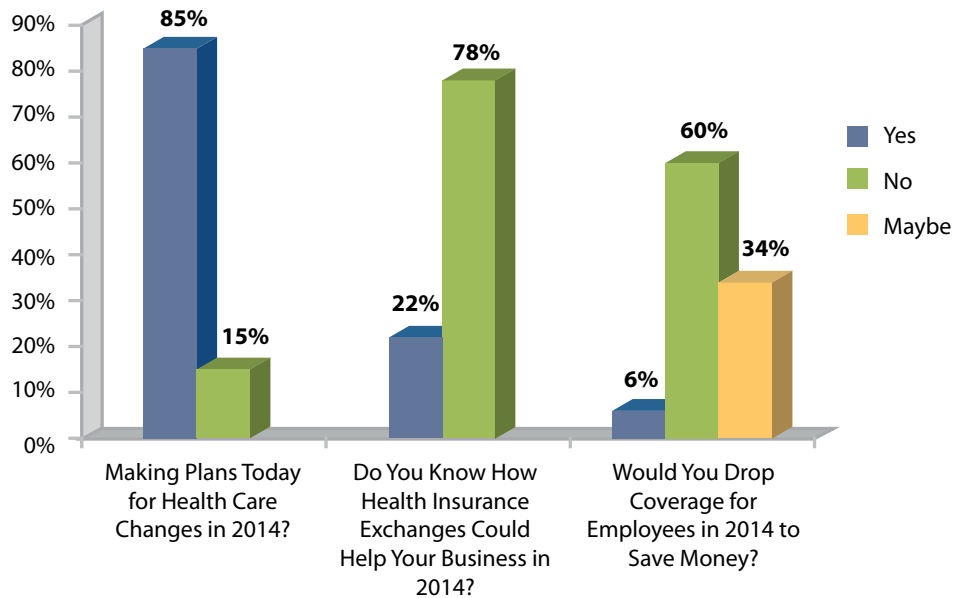


- More than four-in-ten respondents (44%) said they felt a moral obligation to provide their employees with health insurance benefits.
- Nearly one-third (31%) said they needed to provide health insurance in order to recruit and retain talented employees.
- Fewer than one-in-ten (8%) said they provided employees with health insurance for the tax benefits.
- The same number (8%) said they provided health insurance for employees in order to increase workforce productivity.
- Nearly one-in-ten (9%) listed some other reason for providing coverage to employees.

## Small Employers and Health Care Reform

The survey found that the majority of small business owners (85%) are not currently doing any planning based on how health care reform might impact their business in 2014. For example, health insurance exchanges could provide some employers with the opportunity to reduce or contain what they spend on health care for employees, but less than one-in-four (22%) said they were aware of how a health insurance exchange could help their business.

### Small Employer Attitudes Towards Health Care Reform

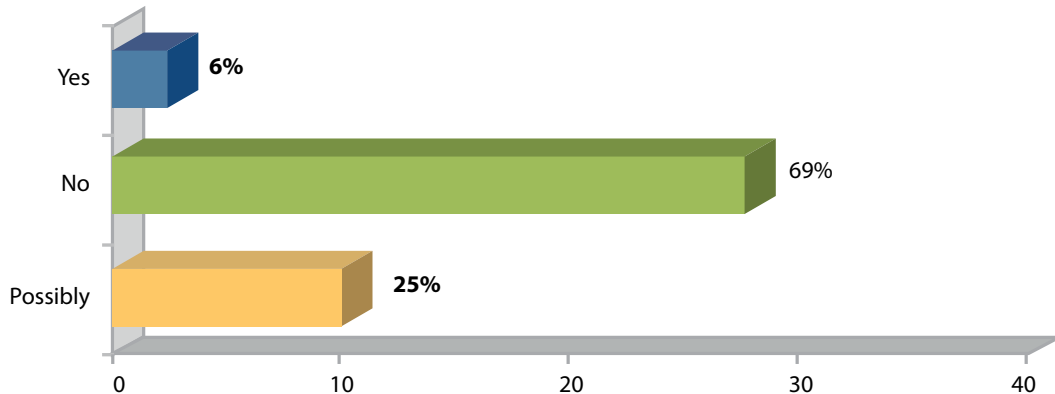


- A majority of employers (85%) said they were not doing any planning based on their expectations of how health care reform might impact their business.
- More than half (60%) said they had no plans to drop health insurance coverage for their employees in order to save money after provisions of the health reform law go into effect in 2014.
- More than one-third (34%) said they might consider dropping employer-based health insurance beginning in 2014.
- About one-in-twenty (6%) of all employers surveyed said they would drop health insurance coverage for their employees in order to save money.

## Small Employers and Health Care Reform (cont.)

Among those employers who said they were aware of the potential benefits of health insurance exchanges beginning in 2014 (22%), barely one-in-twenty (6%) said they would drop health coverage for employees in 2014 in order to save money:

### Would you drop health insurance coverage for employees in 2014 to save money? (Employers Familiar With How Health Insurance Exchanges Work)



- A relatively small number of employers surveyed (22%) considered themselves well informed about health insurance exchanges, a component of the health reform law.
- Among those employers who were aware of the benefits of health insurance exchanges, two-thirds (69%) said they had no plans to drop coverage for employees.

## Methodology Note

These findings were collected from an online survey of 236 eHealthInsurance Small Business Customers. The survey was emailed to a random sample of eHealthInsurance Small Business Customers and results were collected between February 10 and March 13, 2012. The following 16 questions were presented to respondents. Those who answered were presented with a \$15 reward. The full text of the questions asked are given below.

Numbers and percentages used in the report summary and charts above are rounded to the nearest full number. 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.

Where fewer than 236 responses were collected to particular questions, this has been noted below. In some cases respondents were able to skip certain questions.

1. How big (number of employees) is your company today? [195 responses were collected for this question]
  - 10 or less (88.2%)
  - 11 to 25 (9.7%)
  - 26 to 50 (2.1%)
  - 51 to 100 (0%)
  - 101 to 250 (0%)
  - 251 to 500 (0%)
  - Over 500 (0%)
  
2. How big (number of employees) do you want or expect your company to become?
  - 10 or less (58.5%)
  - 1 to 25 (27.1%)
  - 26 to 50 (7.6%)
  - 51 to 100 (3.4%)
  - 101 to 250 (0.4%)
  - 251 to 500 (0.4%)
  - Over 500 (Sky's the limit!) (2.5%)
  
3. When shopping for and comparing health insurance coverage for employees, what's the most important factor you look for in a plan? (Please pick the top 2)
  - Affordability (94.5%)
  - Richness of benefits offered (67.8%)
  - Access to physicians (25.4%)
  - Health Savings Accounts (HSAs) (4.2%)
  - Reputation (brand) of the insurance company (5.5%)
  - Other / not listed (2.5%)

4. What is the primary reason you offer health insurance to employees? (please pick one)
  - Ability to recruit and retain talented employees (31.4%)
  - Moral obligation to provide coverage (44.1%)
  - Tax benefits (8.1%)
  - Workforce productivity (7.6%)
  - Other (please specify) (8.9%)
  
5. What type of health insurance does your business offer?
  - HMO plan (39%)
  - PPO plan (45.8%)
  - Other type of plan (2.5%)
  - Multiple plan types (6.4%)
  - Don't know (6.4%)
  
6. Approximately how much money is your business spending each month to provide health insurance for each of your employees and/or their dependents (individually)?
  - \$100 or less per employee/dependant (6.8%)
  - Between \$101 and \$200 per employee/dependent (14.4%)
  - Between \$201 and \$300 per employee/dependent (19.5%)
  - Between \$301 and \$400 per employee/dependent (21.2%)
  - Between \$401 and \$500 per employee/dependent (14.8%)
  - Over \$500 per employee/dependent (23.3%)
  
7. Approximately what percentage of monthly premiums do your employees pay for on their own? [139 responses to this question were collected]
  - 10% (52.5%)
  - 20% (7.9%)
  - 30% (3.6%)
  - 40% (2.2%)
  - 50% or more (33.8%)
  
8. Please estimate to the best of your ability what the average deductible is for your employee's health insurance plans? [195 responses were collected to this question]
  - Less than \$500 (21%)
  - Between \$501 and \$1,000 (18.5%)
  - Between \$1,001 and \$1,500 (21%)
  - Between \$1,501 and \$2,000 (6.2%)
  - Between \$2,001 and \$2,500 (19%)
  - Over \$2,500 (14.4%)

9. Do you impose a waiting period on your employees before allowing them to join to your group health insurance plan? (For instance, does an employee need to work for you for 3 to 6 months before you'll allow them to join your group plan?)
- Yes (43.6%)
  - No (47%)
  - Sometimes (9.3%)
10. Would you consider dropping DENTAL and/or VISION coverage from your group policy in order to save money on monthly premiums?
- Yes (58.1%)
  - No (41.9%)
11. Do you offer wellness programs to employees or look for ways to incent employees in any way in an effort to improve their overall health and reduce your company's health care costs?
- Yes (23.3%)
  - No (76.7%)
12. Based on your current knowledge of health care reform, would you drop health insurance coverage for your employees in 2014 in order to save money?
- Yes (5.9%)
  - No (59.7%)
  - Possibly (34.3%)
13. Are you currently doing any planning for your business based on how you expect health care reform to impact your business in 2014?
- Yes (14.8%)
  - No (85.2%)
14. Based on your current knowledge of health care reform legislation, would you say you're familiar with the potential benefits of a health insurance exchange operating in your state in 2014?
- Yes (21.6%)
  - No (78.4%)

15. How many employees (do not include dependents) are covered by your company's health insurance policy?

- 1 to 3 (66.9%)
- 4 to 6 (21.2%)
- 7 to 9 (7.2%)
- 10 to 12 (2.1%)
- 13 to 15 (0.8%)
- 16 to 18 (0.4%)
- 19 to 20 (0.4%)
- Over 20 (0.8%)

16. As an alternative to paying higher premiums, would you consider raising deductibles and offering employees the opportunity to buy their own accident and/or critical illness insurance in order to offset the risk of a higher deductible? [99 responses to this question were collected]

- Yes (23.2%)
- No (26.2%)
- Maybe (50.5%)



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