

GEORGIA EMPLOYER SURVEY

2011

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Executive Summary

Small employers are significantly less likely to offer health insurance to their workers than are large employers. Understanding how many firms offer, and workers enroll in, employer-sponsored insurance (ESI), the costs and characteristics of the plans offered, and the types of firms that offer coverage is important if the State of Georgia is to design a health insurance exchange for small businesses that:

- Increases the number of Georgians with quality health care coverage;
- Builds real competition in the insurance market; and
- Makes Georgia small business friendly.

Key Findings

- Less than half (47 percent) of small firms (2 to 500 employees) in Georgia offer ESI. However, four out of five small firm employees work at a firm that offers a plan to at least some of their employees.
- On average, 13 percent of employees at firms that offer coverage are ineligible to participate in the plan, and about 25 percent of workers who are eligible fail to enroll. Therefore, about half of all small firm workers are enrolled in a plan offered by their own employer. Among the smallest firms (those with fewer than 25 employees) this falls to 38 percent.
- Between November 2004 and January 2011, the cost for individual health insurance coverage for workers at small firms in Georgia grew by more than 60 percent and the cost for family coverage by more than 40 percent. On average, single coverage in Georgia costs approximately \$6,684 per year for workers at small firms, with employers bearing approximately 80 percent of that cost. Family coverage among small firm workers costs in excess of \$13,000 per year, with employers contributing 60 percent of the total cost.
- The majority of plans offered by small firms in Georgia have high deductibles (more than \$1,000 per person), but many do not offer employees an opportunity to fund the deductible with pre tax dollars (FSA, HSA, or HRA).
- Small employers in south rural Georgia are significantly less likely to offer ESI to any workers than firms in the rest of the state (39 versus 47 percent). Lower wages in south rural Georgia is one explanation for this difference.

Cost increases have consistently outpaced inflation, and employees are faced with both high-cost sharing (deductibles) and increasing contributions for coverage. Thus cost containment will continue to be a key determinant of the future of the employment-based coverage system. Firms that currently offer insurance are systematically different from non-offering firms, and some of these differences will be important for exchange design. These systematic differences can translate into challenges in creating combined risk pools that attract enrollment from diverse employers with workers who have different preferences for health insurance.

Introduction

Ninety percent of Georgians with private health care coverage obtain it through their employer or are dependents of someone who obtains coverage through an employer. However, the share of uninsured in Georgia has been steadily growing. The erosion of the employer-sponsored health insurance (ESI) system is a contributing factor to this trend. Employers that do not offer coverage cite health care costs as the biggest barrier¹, while those offering coverage report health care cost inflation to be a contributor to declining profitability. A recent study of the effect of health care cost inflation on business found that it has resulted in fewer jobs and slower growth.²

The Affordable Care Act (ACA) is likely to reshape the health insurance market in Georgia. The law potentially affects employment-based coverage in Georgia in several ways. It provides for:

1. States to create individual health insurance exchanges (American Health Benefit Exchange or AHBE) that allow individuals an opportunity to purchase health insurance coverage at group rates and provides for subsidies for low-income individuals. This, combined with the Medicaid expansion to low-income adults, may reduce the demand for ESI among low-wage workers.
2. States to create a vehicle to help small employers increase their joint purchasing power through the implementation of a Small Business Health Options (SHOP) Exchange. Such an exchange could simplify the purchasing process for small employers (e.g. by improving their ability to compare plans across multiple carriers) or provide workers with a greater choice of plans.
3. Tax credits that support very small businesses with low average wages to offset some of the cost of health insurance. These tax credits, already available to qualified firms, are limited to purchasers in the SHOP exchange between 2014 and 2016.
4. Employers with 50 or more full-time equivalent employees (FTEs) to pay a penalty if they do not offer and subsidize adequate coverage and if any of the firm's workers obtain subsidies through the individual exchange.

Efforts to support small employers through policy, such as the design of the exchanges and modeling the impact of various design options on coverage and on costs, require a complete understanding of:

- The extent to which health insurance is available among small firms and their workers;
- The characteristics of firms and their workers that relate to the offer of ESI; and
- The costs and characteristics of coverage offered by small firms.

To answer these questions, the State of Georgia commissioned a survey of small employers in Georgia. This report provides an overview of the survey design and administration, key findings, and survey results. Where appropriate, we compare results to benchmarks from two national surveys: the Kaiser/HRET Survey of Employers and the Medical Expenditure Panel Survey-Insurance Component (MEPS-IC). It should be noted that although the national surveys give context to the state level findings, the national surveys are not directly comparable to our study because of differences in sampling frames, firm size classifications and methodology.

1. Findings from Small Business Focus Groups: Implications for Health Benefit Exchanges, Georgia Health Policy Center, 2010.

2. Sood, N., Ghosh, A. and Escarce, J. J. (2009), Employer-Sponsored Insurance, Health Care Cost Growth, and the Economic Performance of U.S. Industries. Health Services Research, 44: 1449–1464. doi: 10.1111/j.1475-6773.2009.00985.

Survey Design and Administration

To provide the baseline information on the small employers and health insurance coverage, the Georgia Health Policy Center and researchers from the J. Mack Robinson College of Business at Georgia State University collected information from a representative sample of the approximately 115,000 private sector Georgia firms with fewer than 500 employees. These firms employed almost two million workers during the second quarter of 2010.

Researchers obtained a de-identified file from the ES-202 records for all firms that file unemployment insurance with the Georgia Department of Labor (DOL). This file provides information about average wages, the number of workers, industry, and location for small firms in Georgia and forms a basis of our understanding of the small employer marketplace in Georgia.

From this file we identified a stratified random sample of 7,998 firms for the survey. Some of these firms conduct business in more than one location or establishment. This survey was conducted at the firm rather than establishment level, meaning that multi-establishment firms were surveyed and are counted as a single entity.

The sample was designed to be representative of firms with fewer than 500 workers in the state with an over sampling of firms with fewer than 100 employees. The sample was stratified based on:

- Average worker wages within the firm above and below \$2,500 per month;
- Firm size (2 to 24, 25 to 49, 50 to 99, 100 to 499); and
- Geographic location (north rural, south rural, Atlanta metropolitan area, all other MSA areas).

The survey was administered by the Survey Research Center at the University of Georgia. Validation of the data was a two-step process including both researchers at the UGA center and faculty and students at Georgia State University. After controlling for undeliverable surveys, valid responses were obtained from 1,510 firms for a response rate of 21 percent. There is no evidence that non-respondents differed systematically from respondents based on the characteristics of the sampling frame. Responses were weighted to be representative of small businesses in the state overall and by wage, location, and firm size groups.

This survey is the third in a series of surveys of small employers drawn from a similar sampling frame (the ES-202 file from the Georgia DOL) and administered in a similar manner. However, the exact questions have evolved over time depending upon the policy needs of the state and the prior surveys focused on establishments rather than firms. The response rate (21%) is consistent with the response rate for prior surveys. This previous research enables us to provide some historical context to our analysis of employer coverage among small firms in Georgia.

Detailed Findings

Firms that Offer Health Insurance

Just under half of all small firms in Georgia report offering at least one plan to employees as of 2011. However, almost four out of five workers at small firms in Georgia are employed by a firm that offers coverage.

Table 1: Offer Rates for Georgia’s Small Businesses and Employees

	Total	Firms Not Offering ESI	Firms Offering ESI
Firms with fewer than 500 workers	115,167	53%	47%
Employees at these firms	1,952,323	21%	79%

Table 2 (below) shows the relationship between offer rates and firm size. Among the smallest firms (fewer than 25 employees) offer rates fall to 42 percent, while among the larger firms included in our sample the likelihood of offering coverage is very high (96 percent). This relationship explains why most employees (79%) work at a firm that offers insurance coverage, even though less than half of all firms with fewer than 500 workers offer coverage.

Table 2: Offer Rates for Small Business and Employees by Firm Size

	Firms	Firms Offering ESI	Workers at Firms	Workers at Firms Where ESI is Offered
Total (Georgia)	115,166	47%	1,952,323	79%
<i>Firm Size:</i>				
Fewer than 25	99,333	42%	647,393	56%
25 to 50	8,277	75%	277,017	76%
51 to 99	4,350	89%	307,730	90%
100 to 499	3,206	96%	720,182	95%

When we compare our findings to national surveys, we find similarities in the relationship between firm size and offer rates, but there is a lower propensity to offer coverage among Georgia employers. For example, when compared to a national survey conducted by the Kaiser Family Foundation, among all firms with 3-199 employees, 68 percent offer health insurance benefits to at least some workers.³ Our survey includes firms with as few as two workers, consistent with the definition of small groups in Georgia. Almost 20 percent of the firms included in the Georgia small employer survey are comprised of these two-worker firms. The low probability that these micro-firms offer coverage provides one explanation for a low overall rate in Georgia when compared to the national benchmark. However, even among firms with 25 to 50 workers nationally, offer rates were 92 percent in 2010, significantly higher than our estimate of 75 percent for firms of the same size.

3. *Employee Health Benefits 2010 Annual Survey, Kaiser Family Foundation and Health Research and Educational Trust. Downloaded from <http://ehbs.kff.org/pdf/2010/8085.pdf>. May, 2011.*

The Medical Expenditure Panel Survey-Insurance Component (MEPS-IC) from 2009 estimates that 41 percent of all establishments with fewer than 50 workers offer health insurance.⁴ This national benchmark is slightly lower than our estimates of offer rates for firms with fewer than 50 workers. However, like the Kaiser/HRET findings, the MEPS-IC results are not directly comparable to our findings because the MEPS-IC survey:

- Targets establishments rather than firms;
- Uses a different survey methodology (sampling frame, survey administration); and
- Is from an earlier period.

Cost of Coverage for Small Firms in Georgia

Firms that reported providing health insurance coverage were asked to provide the employee and employer contributions along with the overall cost of the plan in which the plurality of workers are enrolled.

Table 3: Reported Monthly Premiums for Health Insurance, Small Firms in Georgia, 2011

	Employee Pays	Employer Pays	Total Monthly Costs	Total Annual Costs
Individual Coverage	\$99	\$458	\$557	\$6,684
Family Coverage	\$536	\$657	\$1,110	\$13,324
<i>By Firm Size / Coverage Type:</i>				
Individual Coverage				
Fewer than 50 employees	\$97	\$485	\$580	\$6,959
More than 50 employees	\$109	\$313	\$431	\$5,169
Family Coverage*				
Fewer than 50 employees	\$540	\$647	\$1,098	\$13,176
More than 50 employees	\$517	\$691	\$1,112	\$13,340

* Significantly fewer firms reported cost information for family (n=364) versus single (n=443) coverage among firms under 50 workers. Among the larger firms in the sample, reporting for each type of coverage was approximately the same.

4. Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2009 Medical Expenditure Panel Survey-Insurance Component. Downloaded June 2011 from http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/national/series_1/2009/tia2.pdf

Premiums for Smokers

Firms which have plans that require a surcharge for smokers.....10%

Average monthly surcharge.....\$52

On average, single coverage in Georgia costs approximately \$6,684 per year for workers at small firms, and employers pay about 80 percent of that cost. Family coverage among small firm workers costs in excess of \$13,000 per year, with employers contributing about 60 percent of the total cost.

Individual coverage is significantly more expensive for the smallest versus slightly larger Georgia firms. Total premiums at firms with fewer than 50 employees are approximately 135 percent of the total costs for firms with more than 50 employees. Notably, smaller employers (less than 50) that offer coverage pay the higher costs rather than passing them on to workers in the form of contributions for coverage. This is not surprising, given that small firms generally have a minimum participation requirement and high employee contributions would reduce enrollment.

In contrast to the cost differences for individual coverage, we do not see a significant difference in the overall premiums for family coverage by firm size. However, we note that significantly fewer of the smaller firms provided any premium information regarding the cost of family coverage. Thus, it may be that among some of the smaller employers, family coverage is not made available to workers, given the very high cost of that coverage.

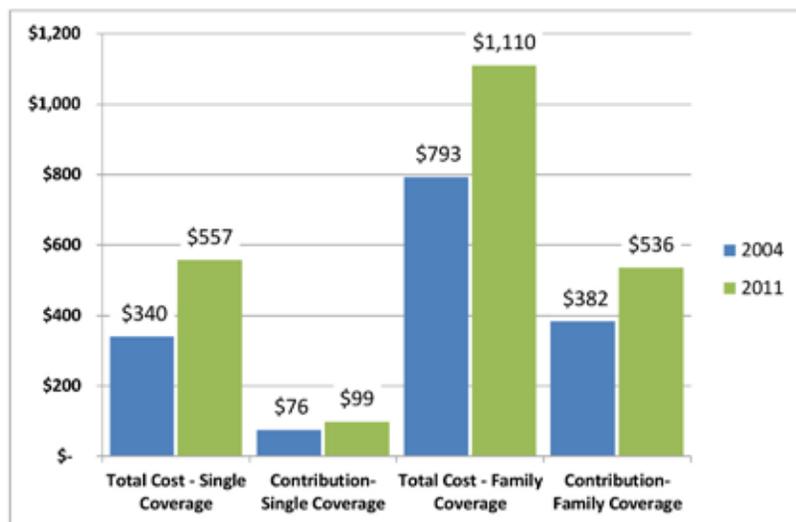
Our survey estimates of monthly contributions from employees for single and for family coverage for 2011 are about one third higher in Georgia than 2010 national estimates for firms with 3 to 199 workers. Total premiums for single coverage are also about 30 percent higher in Georgia than the national estimates, while total family premiums are about the same as the national estimates for firms with 3 to 199 workers.⁵ The differences in sampling frame and reporting period limit comparability, but the data suggest that employer and employee costs for small firm coverage in Georgia are higher than the national average.

Ten percent of small firms in Georgia that offer health insurance report imposing a surcharge on smokers, on average \$52 per month. Less than two percent reported providing a discount on health insurance for employees who participate in wellness activities. However, six percent of employers that offer health insurance also offer some support for wellness-related activities.

Cost Inflation

The Georgia Health Policy Center fielded a very similar survey in 2004 with a comparable sample of firms responding. Therefore, we can use the information from that survey to evaluate the changing cost of coverage for Georgia employers. The chart below shows the growth in total premiums and employee contributions to premiums between November 2004 and January 2011. The cost for employees in small firms in Georgia with single coverage grew by more than 60 percent and the cost for family coverage by more than 40 percent in the six-year period between the surveys. Our data provides no evidence that employers have systematically shifted proportionally more of the costs to employees, but have kept the contribution shares for single and family coverage relatively constant.

Figure 1: Change in Cost of Coverage (Total and Employee Share) 2004 to 2011



Characteristics of Coverage at Small Firms in Georgia

Plan Choice

Employers offering health insurance were asked to provide information about employee choice, the type of plan for which cost information was provided, and some of the characteristics of coverage.

Table 4: Percent of Firms/Employees at Firms that Offer Coverage Offering a Choice of Plans

	Firms	Workers
Total	28%	48%
<i>By Firm Size:</i>		
Fewer than 50 employees	23%	32%
50 or more employees	57%	56%

Of the small firms in Georgia offering health insurance, only 28 percent offer employees a choice of plans, and only 48 percent of workers at firms offering coverage have a choice of plans. For the smallest firms, the shares are even lower at 23 and 32 percent respectively. It is possible that the SHOP exchange can be designed to increase the likelihood that a worker has a choice of plans. This will be particularly beneficial to those firms with fewer than 50 workers, since so few of them currently offer employees choice of plans.

Benefits and Cost Sharing

Firms were asked to provide information about the characteristics of coverage offered to employers.

Table 5: Characteristics of Coverage

	By Firm Size		
	All Firms	Fewer than 50 Employees	More than 50 Employees
Office Visit Copayment*			
Mean	\$31	\$32	\$29
Median	\$30	\$30	\$30
Deductible			
0-\$500	21%	20%	22%
\$501-\$1,000	21%	20%	29%
\$1,001-\$1,500	18%	19%	15%
\$1,501-\$2,000	11%	11%	13%
More than \$2,000	29%	30%	21%
<i>Share of employers reporting plan includes:</i>			
HSA/HRA or FSA Option	28%	25%	45%
Mental Health Benefits	80%	78%	93%
Wellness Benefits	79%	78%	84%
Prescription Drug Benefits	95%	95%	99%
Dental Benefits	59%	55%	84%
Vision Benefits	44%	41%	67%

*Among firms reporting copayments for Office Visits. Copayment data are not available by specialty/primary care categories.

On average, employees with an office visit copayment pay about \$30 per visit. There is no significant difference in the level of office visit copayments between very small firms and those with 50 to 500 workers. National survey data identified average copayments of \$22 for primary and \$31 for specialty care, thus generally consistent with our findings.⁶ Table 5 demonstrates that overall, almost 60 percent of all small firms' workers face a per person deductible in excess of \$1,000. However, among firms with more than 50 workers, this falls to approximately 50 percent of firms.

In 2010, nationally 46 percent of workers at firms with 3 to 199 employees faced a single deductible of \$1,000 or more and 20 percent faced a single deductible of \$2,000 or more.⁷ We did not collect sufficient information to calculate enrollment or the share of workers in high-deductible plans, but our survey findings are generally consistent with national estimates.

6. The Kaiser Family Foundation -and- Health Research & Educational Trust

7. Ibid.

Only 28 percent of the firms in our survey offer an option for employees to pay the deductible with pre-tax dollars (HSA, FSA, or HRA). The high-cost sharing in the high-deductible plans is, therefore, paid largely with post-tax dollars by most of these small firm workers. The smallest firms are even less likely to offer plans that include a pre-tax spending account.

The smallest firms surveyed are slightly less likely to offer mental health or wellness benefits and significantly less likely to offer dental or vision benefits. Together with the information on costs, these findings support the notion that smaller firms pay more on average for less generous coverage when comparing small firms with less than 50 workers to small firms with more than 50.

Employers were asked to classify their plans as an HMO, PPO, Indemnity or HSA plan. Almost two-thirds of employers providing cost information report that their plan is a preferred provider organization (PPO) plan. Although only 14 percent classify their plan as an HSA, more than 40 percent of plans impose a per-person deductible in excess of \$1,500.

Characteristics of Firms that Offer Coverage

It is important to understand the relationship between employer and workforce characteristics and the likelihood an employer will offer health insurance. State policies that are targeted to the needs of employers currently offering coverage may be different than policy options designed to reach out to non-offering firms, given that the characteristics of the firms and their workers are different.

Health Insurance and Wages

Wages are also an important determinant of offering coverage. Among all small firms in Georgia, firms with average wages more than \$2,500 per month (\$30,000/year) are about twice as likely as lower wage firms to offer health insurance. The difference in offer rates by wage group persists even as firm size increases. Table 6 (below) shows the interaction between firm size and wages as a determinant of coverage among Georgia firms.

Table 6: Offer of Health Insurance by Firm Size and Average Wage

	Average Monthly Wages \$2,500 or Less		Average Monthly Wages More than \$2,500	
	Total Firms	ESI Offered	Total Firms	ESI Offered
Total	58,256	31%	53,246	62%
<i>Firm Size:</i>				
Less than 25	52,727	28%	46,154	57%
25 to 50	3,763	55%	4,514	92%
51 to 99	1,766	75%	2,578	99%

While we use average wage to differentiate firms, other surveys use the share of workers earning below a certain benchmark. Both the Kaiser/HRET survey and the MEPS-IC survey find that firms employing more low-wage workers are significantly less likely to offer health insurance to any employees, consistent with the findings reported here.

Offer Rates by Location

Table 7 (below) shows the probability that a firm will offer health insurance by region of the state.

Table 7: Offer of Health Insurance by Region of the State

	Total Firms	ESI Offered
Total (Georgia)	115,166	47%
<i>Region:</i>		
Rural North	22,461	47%
Rural South	17,100	39%
Atlanta	59,441	50%
Other MSA	16,163	47%

Firms in south rural Georgia are significantly less likely to offer coverage than are establishments in the rest of the state. These differences are explained in part by wages that are significantly lower in south rural Georgia compared to the rest of the state. Table 8 (below) shows the average monthly worker wages by region of the state. Workers in south rural Georgia earn on average almost \$1,000 less per month, or only 69 percent of the statewide average monthly wage.

Table 8: Average Monthly Wage by Region

	Total Firms	Average Monthly Wage
Total (Georgia)	115,166	\$3,228
<i>Region:</i>		
Rural North	22,461	\$3,409
Rural South	17,100	\$2,242
Atlanta	59,441	\$3,580
Other MSA	16,163	\$2,709

Changes in Coverage Rates Over Time

Table 9: Change in Offer Rates for Small Establishments by Firm Size, 2004-2011

2004			2011*		
	Establishments	Share Offering		Establishments*	Share Offering
Total (Georgia)	116,565	44%	Total (Georgia)	115,117	47%
<i>Firm Size:</i>			<i>Firm Size:</i>		
Less than 10	78,492	34%	Less than 10	81,493	35%
10 to 24	22,434	63%	10 to 24	18,422	70%
25 to 99	15,639	68%	25 to 99	15,202	83%

* In 2011 firms rather than establishments were sampled. Establishment estimates are generated by controlling for the number of establishments within each firm.

Table 9 (above) compares the recent survey findings to the findings of a similar survey fielded in 2004. In order to facilitate a comparison, we convert the 2011 findings from the firm to the establishment level. We multiply each firm level observation by the number of establishments within that firm and revise the firm size categories to be consistent with the prior period estimates. We note that the total number of small establishments has declined slightly during this period, despite the population growth within the state.

Despite the sharp decline in the overall rate of employer coverage observed in population surveys, there is a slight increase in the likelihood a firm will offer health insurance in 2011. This finding is consistent with the 2010 national findings from the Kaiser Family Foundation/Health Research and Educational Trust Survey of employers. That research found a five-percentage point increase in the likelihood of offering coverage between 2004 and 2010 for all firms with 3 to 199 employees. As noted by Kaiser, one explanation for an increase is that firms offering coverage have characteristics that make them more stable and thus less likely to fail during an economic downturn.⁸

Workforce Characteristics of Offering vs. Non-Offering Firms

The characteristics of employees at a firm determine the demand for coverage and hence the benefit to the employer of offering health insurance.

Table 10 (next page) compares the workforce characteristics of firms that offer versus those that do not offer coverage to their employees.

Workers generally value health insurance more as they age, since younger workers are not as likely to require health care in a given year. Employers with workers with greater tenure are more likely to offer coverage, as high turnover among workers will significantly raise the cost of coverage. Moreover, benefits in general and health insurance in particular are frequently added to compensation in order to reduce turnover in firms where tenure enhances productivity. Prior research has suggested that firms with a high percentage of female workers are less likely to offer employees a choice of health insurance plans.⁹ However, we find no significant difference in the likelihood of offering coverage associated with the share of female employees.

8. <http://ehbs.kff.org/pdf/2010/8085.pdf>

9. Moran, JR, ME Chernew and RA Hirth (2001). "Preference Diversity and the Breadth of Employee Health Insurance Offerings." *Health Services Research* 36(5), p 911-934.

Table 10: Workforce Characteristics of Offering vs. Non-Offering Firms

	Firms Not Offering Health Insurance	Firms Offering Health Insurance	
<i>Share of the workforce that is:</i>			
Female	38.7%	40.6%	
Younger than 25 years old	4.1%	5.6%	*
Older than 54 years old	12.0%	18.0%	***
Less than 90 day tenure	2.7%	3.6%	
More than one year tenure	71.0%	90.0%	***
Earning less than \$7.50 per hour or \$15,000/year	4.0%	1.0%	***
Earning more than \$22 per hour or \$44,000/year	16.0%	38.0%	***

* significant at the .10 level

*** significant at the .01 level

Offer Rates by Industry

Another key determinant of workforce characteristics and hence demand for insurance among workers is type of industry. Table 11 shows offer rates among small firms in Georgia by major industry classification using the NAIC industry codes.

Table 11: Offer of Health Insurance by Industry

	ESI Offered
Total (Georgia)	47%
Accommodation and Food Services	12%
Retail trade	37%
Administrative, Support, Waste Management, and Remediation Services	39%
Health Care and Social Assistance	40%
Educational Services	41%
Construction	44%
Other Services (except Public Administration)	45%
Professional, Scientific, and Technical	48%
Arts, Entertainment, and Recreation	54%
Finance and Insurance	61%
Manufacturing	64%
Transportation and Warehousing	64%
Wholesale Trade	70%
All Other Firms in Georgia*	49%

Employer-sponsored insurance offering rates differ significantly among firms when classified by industry. While only 12 percent of small firms in the food services or accommodations industries offer ESI, offer rates are high in firms engaged wholesale trade (70 percent), manufacturing or transportation and warehousing (64 percent). The low offer rates in the hospitality related industries is not surprising, given the extent to which such firms rely on low-wage, part-time workers with relatively short employment tenures.

Average Years in Business of Offering vs. Non-Offering Firms

Table 12: Average Years of Business of Firms Offering Coverage and Firms Not Offering

	Firms Not Offering Health Insurance	Firms Offering Health Insurance
Average Years in Business	17.4	29.6

There is a strong relationship between the age of a firm and the propensity to offer health insurance coverage. Firms that offer insurance have been in business significantly longer than those that do not offer coverage.

Use of Technology by Offering vs. Non-Offering Firms

Table 13: Use of Technology by Offering vs. Not-Offering Firms

	All Small Firms in Georgia	Firms Not Offering Health Insurance	Firms Offering Health Insurance
Proportion reporting use of IT such as web browsers or emails within the firm	88%	85%	92%
Proportion reporting use of IT for purchasing of goods and services	75%	72%	79%
Proportion reporting a firm specific web site	66%	54%	81%

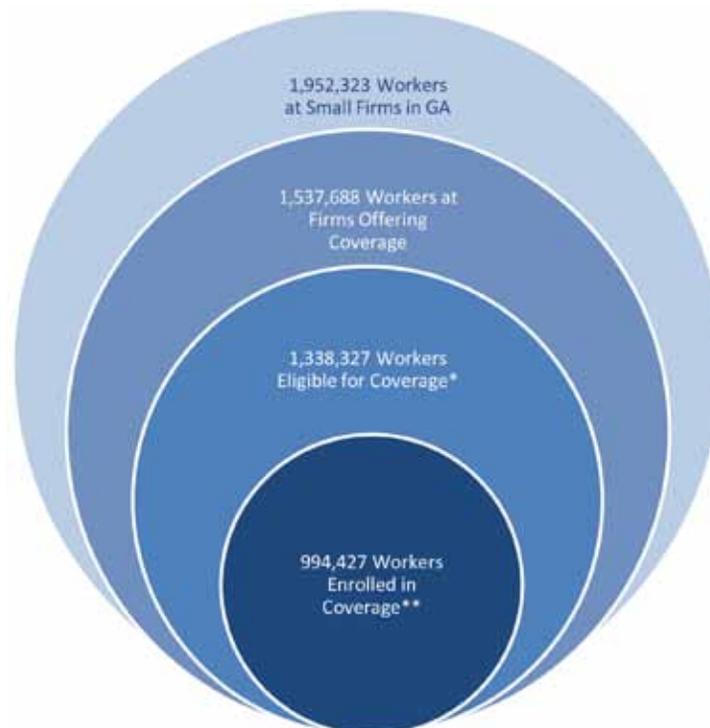
Most firms in Georgia report the use of information technology (IT), such as Internet browsers and email, for obtaining information and communicating with others. A smaller majority report the use of IT for procurement, while still fewer report that the firm has a specific web site. Firms offering health insurance are significantly more likely to report IT utilization across all three categories than those that do not offer coverage.

Worker Eligibility and Participation Rates

The prior tables focus on firms, but it is important to understand how this translates into coverage of Georgia workers. Therefore, we consider how many workers are employed at firms that make coverage available to at least some workers, how many workers are eligible for coverage, and how many participate if eligible.

Eligibility and Participation by Firm Size

Table 14A: Workers at Firms where ESI is Offered, Workers Eligible to Participate, and Workers Enrolled in ESI by Firm Size



* At firms where coverage is offered.

** At firms where coverage is offered and among employees who are eligible.

	Total Workers	Workers Employed Where Coverage Available	Workers Eligible for Coverage	Workers Enrolled in Coverage
Total (Georgia)	1,952,323	1,537,688	1,338,327	994,427
<i>By Firm Size:</i>				
Less than 25	647,393	362,138	322,491	250,076
25 to 50	277,017	211,331	171,503	143,230
51 to 99	307,730	276,770	227,066	158,599
100 to 499	720,182	687,448	617,267	442,522

Workers may be excluded from eligibility for a variety of reasons. Many firms exclude part-time workers from eligibility for coverage. Furthermore, firms may have exclusionary periods that restrict workers from eligibility for coverage during an initial phase of employment. Other workers are ineligible because they are classified as temporary or seasonal workers. This is reflected in Table 14(b), column one. Moreover, not all workers who are eligible to participate in coverage opt to do so, especially since most coverage is contributory in nature. This is reflected in Table 14(b), column two.

Table 14B: Eligible and Enrolled Percentages by Firm Size

	Percent of All Small Firm Workers Who:			Eligibility Rate*	Take-up Rate**
	Work at a Firm Offering Coverage	Are Eligible for Coverage	Are Enrolled in Their Own Firm's Coverage		
Total (Georgia)	79%	68%	51%	87%	74%
<i>By Firm Size:</i>					
Fewer than 25	56%	69%	38%	89%	78%
25 to 50	76%	67%	51%	81%	84%
51 to 99	90%	57%	51%	82%	70%
100 to 499	95%	64%	61%	90%	72%

* Eligible as a percent of workers at firms offering

** Enrolled as a percent of workers eligible

Enrollment as a share of workers employed at firms offering coverage is a function of both eligibility and take-up rates. Eligibility varies slightly by firm size, with smallest and largest firms having the highest share of workers eligible. Take-up rates are also higher at firms with 50 or fewer employees when compared to firms with more than 50 employees. This is likely attributable to minimum participation requirements imposed by many carriers on very small groups as a means of reducing the likelihood of enrolling only the high risk employees. Moreover, small firms are better able to match the plan offered to the needs of their workers.

Among all small firm workers in Georgia, 51 percent are enrolled in a plan sponsored by their own employer. The national comparison from the Kaiser/HRET benchmark for firms with 3 to 199 employees is 52 percent. Among firms with 2 to 24 workers in Georgia, 38 percent are enrolled in coverage, compared to a national estimate of 44 percent for firms with 3 to 24 workers.

Eligibility and Participation Rates by Average Worker Wage

Table 15: Eligible and Enrolled Percentages by Worker Wage

	Percent of All Small Firm Workers Who:			Eligibility Rate*	Take-up Rate**
	Work at a Firm Offering Coverage	Are Eligible for Coverage	Are Enrolled in Their Own Firm's Coverage		
Total (Georgia)	79%	68%	51%	87%	74%
<i>Wage Groups:</i>					
Average Wage \$2,500 or less	61%	41%	30%	67%	74%
Average Wage more than \$2,500	91%	87%	65%	96%	74%

* Eligible as a percent of workers at firms offering

** Enrolled as a percent of workers eligible

Average worker wage is also an important determinant of offer and eligibility rates because:

- Very low-wage workers may have some substitutes available for private coverage, if they or their dependents are eligible for public plans such as Medicaid or PeachCare for Kids. Therefore, their demand for coverage may be less, resulting in fewer offer rates.
- A high share of part-time or recently hired workers will result in lower average reported wages at the firm level. These workers are less likely to be eligible for employer-sponsored plans if offered.

Other Characteristics of Coverage for Exchange Planning

Tax Credits under the Affordable Care Act

Under the Affordable Care Act (ACA), tax credits are available for small, low-wage firms that offer coverage. The full tax credit is available to firms with fewer than 10 workers and average wages less than \$25,000 per year. A phased-out credit is available to firms with fewer than 25 employees and average wages less than \$50,000 per year, although the phasing out considers both wages and firm size simultaneously. Thus a firm with 24 employees and wages just below \$50,000 per year is not eligible for any credit, while a firm with 24 employees and wages at or below \$25,000 continues to be eligible for some assistance.

Table 16: Georgia Firms Eligible for Tax Credit

	Number of Firms	Firms Offering Coverage	Percent of Firms Offering	Employees at Firms Offering
Wage/firm size eligible for full credit	32,528	7,423	23%	29,692
Wage/firm size eligible for partial credit	37,635	13,843	37%	105,737
Not eligible based on wage/firm size	44,770	33,258	74%	

* Full eligibility for credit for firms with 10 or fewer employees, average annual wage less than \$25,000.

Only 7,423 (23 percent) of the firms potentially eligible for the full tax credit currently offer health insurance. An additional 13,843 Georgia firms offering health insurance are eligible for a partial tax credit. Together, these firms employ about 135,000 workers.

We note that the tax credit available for qualified firms that offer health insurance prior to 2014 increases significantly in 2014 for two years. This enhanced credit is only available to firms offering health insurance through the exchange. Thus, the potential number of enrollees in the SHOP exchange could be determined initially by the number enrolled in health insurance working at firms eligible for the tax credit. National data on participation in single versus family coverage would suggest that about 30 percent of these workers are in family coverage with an average of two dependents and 15 percent are in single plus one coverage dependent.¹⁰ Thus, this group represents approximately 230,000 lives. The tax credit is only available to firms for two years.

Use of Broker Services

Firms were asked whether they purchase any business or benefit-related insurance through a broker. Firms that offer health insurance were asked whether they purchased the health care plan through a broker.

Table 17: Use of Broker for Insurance/Health Insurance

	Firms Not Offering Health Insurance	Firms Offering Health Insurance
Use a broker for any insurance purchase	30%	68%
Use a broker to purchase health insurance	n/a	52%

10. The Kaiser Family Foundation -and- Health Research & Educational Trust Employer Survey

Firms offering health insurance to their workers are significantly more likely to use the services of a broker in general, and more than half report purchasing their health insurance through a broker. As the state considers options for the SHOP exchange, this highlights the important role of brokers for those already purchasing coverage, given the high share of these firms with a relationship with a broker. However, if the goal of the SHOP is to reach firms not currently offering coverage, it will not be possible to rely on brokers as the primary distribution channel, since 70 percent of firms currently not offering health insurance have no relationship with a broker.

Future Plans

Employers offering coverage were asked whether they had determined to grandfather their plan under ACA. They were also asked whether or not they had seriously considered dropping health insurance.

Table 18: Plans for Health Insurance in the Future

	Yes	No	Don't Know/ It Depends
Is plan "grandfathered" under health reform?	25%	16%	59%
Seriously considered dropping coverage?	14%	49%	36%

Only 25 percent of firms considered their 2011 plan grandfathered, while three-fourths of small employers did not know, or had not yet decided whether to grandfather their current plan. This highlights the need for small employers to understand clearly the implications of grandfathering in order to make informed decisions.

When asked whether they seriously consider dropping coverage, about half of respondents indicated either yes or possibly, depending upon firm profitability. The respondents indicating a potential of dropping coverage (answering "Yes" or "It depends") employ more than 500,000 small firm workers or approximately one-third of the workers at firms currently offering coverage.

Willingness to Pay: Non-Offering Firms

As in 2004, firms reporting that they do not currently provide health insurance for workers were asked about their willingness to contribute to health insurance for employees if a low-cost plan were available. Only 47 percent of such firms indicated a willingness to contribute to coverage. This is a significant decline compared to the prior survey, when 62 percent indicated a willingness to pay. The average amount such employers are willing to contribute is just slightly higher than in the prior survey once adjusted for inflation.

Table 19: Non-Offering Firms Willing to Contribute to Coverage, 2004 Versus 2011

	2004	2011
Share of non-offering firms indicating willingness to pay	62%	47%
Average reported dollar amount employers are willing to pay	\$91.76	\$114.94

Another indicator of a firm’s potential willingness to participate in offering coverage for their employees is whether or not the firm offered coverage in the past. Firms not currently offering coverage were asked whether they had offered ESI benefits in the past. If so, they were asked for the most recent year in which health insurance benefits were offered.

Table 20: Non-Offering Firms that Previously Offered Coverage

	Number	Percent of Non-Offering Firms
Offered Health Insurance in the Past?	9,253	15%
<i>Among those that offered in the past, most recent year offered:</i>		
More than 20 years ago	2,748	
10 to 20 years ago	1,508	
Within the past 10 years	4,992	

More than 9,000 Georgia firms that currently do not offer any health care coverage previously offered coverage. Within the past 10 years, almost 5,000 Georgia employers have dropped health insurance as a benefit.

Conclusion

Identifying ways to facilitate cost efficient coverage for small businesses can benefit both businesses and the state. Low-cost, high-value employer plans available to Georgia’s small businesses can:

- Help businesses remain profitable while offering competitive benefits to attract the best workforce;
- Help to keep the workforce and their dependents healthy and productive;
- Help reduce the cost to the state’s taxpayers of covering uninsured populations through public programs; and
- Reduce the drain on the state’s providers who provide uncompensated care.

The results from this survey highlight the challenges facing small employers and their workers. While only 15 percent report giving serious consideration to dropping coverage, another 36 percent report that it depends upon their future profitability. Cost increases have consistently outpaced inflation, and employees are faced with both high-cost sharing (deductibles) and increasing contributions for coverage. Thus cost containment will continue to be a key determinant of the future of the employment-based coverage system.

Firms that currently offer insurance are systematically different from non-offering firms, and some of these differences will be important for exchange design. These systematic differences can translate into challenges in creating combined risk pools that attract enrollment from diverse employers with workers who have different preferences for health insurance. Analysis of other states’ efforts to form exchanges or purchasing cooperatives for small businesses suggests that those efforts have only been successful when the products inside and outside of the exchange do not allow risk pools to fragment.

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