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# Listening to Small Business Owners

## Summary of Focus Groups on Health Insurance

Conducted by: Krueger and Associates  
for the Health Economics Program, Minnesota Department of Health



PO Box 64975  
St. Paul, MN 55164-0975  
651.282.6314



1494 Idaho Ave W  
St. Paul, MN 55108  
651.647.4952

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# Executive Summary

About 60 percent of the uninsured people in Minnesota who are employed work for a small business. Knowing this, the Minnesota Department of Health decided to find out:

- What is the value of health insurance to a small business?
- What makes it hard for small businesses to offer health insurance?
- What might make it easier to offer health insurance?

Through a grant from the Health Resources and Services Administration, seven focus group interviews were held with small business owners. Three groups were held with businesses that offer insurance and four with businesses that don't offer health insurance.

We learned that:

- Business owners offer health insurance as a lower-cost way to insure themselves and their families and as a way to attract and keep full-time skilled workers.
- Most of the business owners who were not offering health insurance said it isn't necessary to offer it. Most of their employees have spouses who have insurance, are still on their parents' insurance, or are part-time. Only a few said they knew of employees who didn't have health insurance.
- Businesses that do not offer health insurance said they don't offer it because it costs too much. Premiums are high and rate increases are so variable that they are hard to work into budgets. If health insurance was cheaper and a fixed cost, owners would be more open to offering it.
- Cost is one barrier to offering health insurance. Paperwork is another. Small business owners do not want the paperwork and decision-making burden that accompanies health insurance. These administrative chores would either take time away from what they want to be doing or require hiring someone to take care of the paperwork, which would be an additional cost. Health insurance adds considerably to the complexity of running the business.
- Offering health insurance can also complicate relationships with employees. It raises concerns about how to fairly compensate employees when not everyone chooses to take health insurance. Changes in plans, costs, or the paperwork

required of workers upset employees. And if an employer is no longer able to provide health insurance, it is difficult to take a benefit away.

- Owners who offer health insurance said they have been struggling to manage those costs. Many shop for lower rates when rates jump significantly. Some have reduced coverage or shifted more of the costs to employees. Owners wonder if employees really understand how much health insurance costs the employer and how their use or abuse of insurance affects what employers pay.
- Owners said it would be easier to offer insurance if it cost less, if rate increases were more fixed, and if there were simple plans that required little paperwork or explanation.
- Owners were asked for their reactions to three policy options that could potentially be used to make it easier for small businesses to offer health insurance: premium sharing, tax credits, and stop-loss protection. Some were intrigued by the idea of premium sharing. Others were concerned that these options would increase their taxes and lead to second-class health care for small business employees. Most groups came to the conclusion that none of these options address the underlying problem of escalating health care costs.
- Although owners agree that health care costs are out of control, they are divided on how involved they want the government to be in addressing health insurance or health care issues. While some said they prefer that the government leave businesses alone, others said they believe the government needs to do something to address the escalating costs of health care.
- Small business owners do want information:
  - They would like to better understand why health care costs are increasing so rapidly. Where are increases going and why?
  - They want to better understand the economic and health ramifications of having uninsured people. If 5 percent of Minnesotans don't have health insurance, is that really a problem? Some business owners said people without insurance can get health care, so what is the problem? How do the uninsured affect insurance rates, taxes, and health care providers? How does not having insurance affect the uninsured?

# Background

The Minnesota Department of Health (MDH) was awarded a federal grant from the Health Resources and Services Administration (HRSA) for an in-depth study of Minnesota's uninsured populations.

About 5 percent of the people living in the Minnesota don't have health insurance. A majority (about three quarters) of the uninsured are employed. Of these, about 60 percent work for, or are dependents of people who work for, small businesses.<sup>1</sup> Because so many of the uninsured work for small businesses, the Minnesota Department of Health wanted to learn more about how small business owners think about health insurance:

- What is the value of health insurance to a small business?
- What makes it hard to offer health insurance?
- What would make it easier to offer health insurance?

Seven focus group interviews were conducted with small business owners. Geographic locations for the groups were selected and then businesses in those areas were either called or personally visited. The study was explained and business owners were invited to attend. For this study, small businesses had to have more than one but fewer than 50 employees. Most of those we interviewed had fewer than 20 employees. Three groups were held with businesses that offer insurance and four with businesses that don't offer health insurance.

Participants owned:

- Retail businesses (e.g., gifts, flowers, electronics, clothing, books, hardware, swimming pools, computer equipment, car parts)
- Food service businesses (e.g., restaurants, fast food, coffee shops, bread store)
- Service businesses (e.g., printers, dry cleaners, car repair, electronics repair, research consulting, well drilling, garage door installation, motel, hair salon, equipment rental)
- A manufacturing business

Groups were held in both rural and urban Minnesota. A total of 41 business people participated. An average of six people attended each group. The interviews lasted two hours and were audiotaped.

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<sup>1</sup> "Minnesota's Uninsured: Findings from the 2001 Health Access Survey," Minnesota Department of Health, Health Economics Program, April 2002, p. 16.

We talked with many business owners while recruiting participants for this study. A fair number of owners didn't qualify for the study because they were the only employee of their business. Even so, they wanted to voice their concerns about the escalating costs of health insurance. Costs of insuring themselves and their families were forcing some to consider quitting business.

# Findings

## What is the value of health insurance to a small business?

Business owners said offering health insurance:

- Provides one way for business owners to get health insurance for themselves and their families
- Enhances their abilities to hire and retain skilled full-time employees

**Some business owners offer insurance through their business as a way to get coverage for themselves and other family members.** In fact, a number of small businesses said they were prompted to explore the feasibility of offering insurance when they or a family member needed health insurance. This is one of the primary reasons small businesses consider health insurance. Whether they offer insurance seemed to be hinged on whether rates for their family are cheaper through the business than buying individual policies.

*When [my son] got married he had to come out from under us and he has a kidney disease so he is paying astronomical rates. I would like the business to pick up him and his wife. ... [Offering health insurance] is probably a bullet I will end up biting. (SB that doesn't offer HI)*

*We looked into it about a year ago. My son-in-law is an employee. His wife quit work and his insurance came up and we thought we should get a group here. By the time you get the numbers in there it is outrageous. (SB that doesn't offer HI)*

*I had cancer. ... For me to go out and get individual coverage, no one will take you. You have to be part of a group plan. So half of my decision was because it was the only way I can get coverage. The other half was that I have to retain employees. (SB that does offer HI)*

*Offering insurance was part of my business plan. I think it should be part of the work environment. The second factor was taking care of my own coverage. I had worked in government and had very good coverage. COBRA payments were pretty horrible and individual coverage was pretty horrible so it represented a cost savings for me to*

*be in a group as well as providing some coverage for my employees.  
(SB that does offer HI)*

**Owners who offer health insurance said offering this benefit gives them an edge over employers who don't offer insurance**, particularly for positions that require a fair amount of responsibility or skill, like managers, chefs, or technicians. Health insurance helps employers hire and keep good employees.

*It is a way to keep your best employees and keep them for a long time.  
(SB that does offer HI)*

*That is one of the first things anybody asks when we are looking for employees. Do you have health insurance? To stay competitive with the other boys out there you have to play with all the benefits you can possibly squeeze out. (SB that does offer HI)*

**Employers who don't provide health insurance said it isn't necessary for them to offer insurance to hire and retain employees.** They are able to find the number and type of workers needed. Most of their employees are covered by a spouse or their parents or are part-time workers who aren't eligible for benefits. Several people said they are in a type of business that doesn't typically offer health insurance to hourly employees and employees don't expect health insurance (e.g., retail, coffee shops, fast food, restaurants).

*It doesn't appear to be necessary [to offer insurance]. Most of our people make \$7 an hour and they don't even ask if we have insurance. In the fast-food industry it is not part of the package... Very few people even ask. (SB that doesn't offer HI)*

*The employees I have are all married and their spouses provide health insurance for them, so I didn't have to. (SB that doesn't offer HI)*

*Most of my employees are high school and college kids. ... Every worker I talk to I say, "We have an insurance plan" and I offered to pay half and ask, "Are you interested?" So far they all said, "No." (SB that offers insurance but has had no one accept it)*



**Rather than offering health insurance to compete for employees, some businesses prefer to offer higher wages or a flexible work environment.** These costs are easier to control and simpler to deal with than offering health insurance.

*Some of us have had to increase our hourly wage or our salary in order to have the offsetting incentive. We pay more than the other person does but we also know we can control that easier. We can give the next increase when we feel we are ready. (SB that doesn't offer HI)*

*We can give them a day off without a deduction on pay and maybe the big guy can't offer that but that is it. (SB that doesn't offer HI)*

**A couple of business owners said they consistently have trouble hiring and retaining good people, but that they do not think health insurance would solve the problem.**

*Employees are hard to find right now. I hired three people in one week where they didn't show up for the first day of work. Kids these days. If the weather is nice and they want to play golf they just won't show up for work. I don't think health insurance would change that. (SB that doesn't offer HI)*

**Some employers wondered if they would have to offer health insurance at some point as a way of getting employees.** They were not looking forward to that.

*My insurance company said in not so many words, "If you don't need to offer it, you don't want to offer it." And that is from an insurance company that sells it! That makes you think, if it is a non-issue, hopefully you can keep it that way. But will you be able to forever? (SB that doesn't offer HI)*

*If the business grows some and I would need full-time persons then that is something I would have to address. So far it has not been an issue but it has also limited me to hiring people who don't need the insurance. (SB that doesn't offer HI)*

## **If you don't offer health insurance, do you give your employees information about other health insurance options, like MinnesotaCare or private insurance?**

Employers said they typically don't provide information about other health insurance options unless the employee asks. Otherwise, it seems like they are drawing attention to the fact that they don't offer insurance. If an employee brings up the issue, business owners do discuss options.

*Why would you bring it up? (Second person) It is a non-issue and you are making it an issue. (SB that doesn't offer HI)*

*You really don't bring it up unless somebody else does. (SB that doesn't offer HI)*

*It comes up later. I like to know what is going on in my employees' lives—if there are any problems I can help. That is when the issue came up for a few people over the years and then we look at, well, what are our options. (SB that doesn't offer insurance)*

## What makes it hard to offer health insurance?

These things make it hard for small businesses that do offer insurance to continue offering insurance and deter small businesses that don't offer insurance from starting:

- Costs are high
  - Premiums are high
  - Rate increases are unpredictable and skyrocketing
  - Some employees are unwilling or unable to pay a share
  - There are personnel costs associated with administering insurance
- Paperwork is frustrating and time consuming. There is...
  - Paperwork for maintaining health insurance
  - Paperwork the owner must complete when shopping for insurance
  - Paperwork employees must complete for shopping
  - Employee paperwork that owners complete as a way of retaining good employees
  - Paperwork for COBRA
- Owners feel they lack expertise in health insurance
- Changing compensation/benefit packages raises employee concerns

## What makes it hard to offer health insurance? Cost!

**Cost is by far the biggest, and for some the only, barrier to offering insurance.** Premiums are high and yearly rate increases are in the double digits and unpredictable. Small business owners described health insurance costs as “out of control,” “skyrocketing,” and “running wild, like the baseball players’ [salaries].” Owners said their rates “tripled over five years,” “went up 42 percent this year,” “only went up 15 percent.” People said the costs are high, in part, because they have small pools and don’t have the ability to negotiate better deals.

*Cost. I don't think there is anything that can compare with it besides cost. That is the number one and only factor. We would all like to insure our employees if we could afford to do that. (SB that doesn't offer HI)*

*We are very fortunate that we don't offer it right now. I have researched it a couple of times with our insurance company. My opinion is that the rates for a small group of people trying to buy into it is was, wow! How could we ever afford this? (SB that doesn't offer HI)*

*I am diabetic. Insurance for just my wife and me is \$924 a month plus the co-pays on medication. I am paying a little over \$1000 a month for coverage. It is a lot of money. But what are you going to do? If a small business took us on they would be paying \$924 a month for me, maybe \$300 for someone else, maybe \$750 for someone else. Most small employers can't afford that situation. And looking at what is predicted for rate increases this year anywhere from 16 to 30 percent, which is ridiculous. At the number I am paying even 10 percent is a lot of money. (SB that doesn't offer HI)*

*If any one of us called Blue Cross and said we would like to insure three employees or a large company called and said they would like to insure 3000 employees, the rates are going to be different. There are different deals. And we don't have the ability to negotiate a good deal when you have three employees. (SB that doesn't offer HI)*

*Before I bought the restaurant I was working for a company and I was paying \$90 a month for full coverage for myself which is really reasonable. ... When I came and got on the restaurant policy, which was a small group, it was like \$350 a month. That was 3 or 4 years ago before the big skyrocketing. That is just me. One person. If we had three employees on that how would a guy afford it? It is pretty tough. (SB that doesn't offer HI)*

*I ran it by my accountant last week [the cost of offering health insurance]. He told me, "If that is what it is going to come down to, you will have to shut your doors." (SB that doesn't offer HI)*

**Not only are the costs high, they are increasing rapidly.** Business people who don't offer insurance said over and over that they do not want to commit to a cost that is not fixed. Large and unpredictable increases in costs make it difficult to develop a cost and price structure for their business.

*I think the biggest fear for small businesses around health insurance is that a lot of our larger costs are fixed: utilities, rent, building payments. You don't have any control over insurance and we know*

*that our health insurance is going to continue to go up 30 percent or more every year. (SB that doesn't offer HI)*

*I think a lot of businesses would be willing to take some insurance on if we knew that the costs would be fairly consistent and not the astronomical increases that they have been at over the years. (SB that doesn't offer HI)*

*And if you do move with health insurance then you take a risk that if you do have an individual that has a member in the family that is heavily in need of medical attention, that tends to send the whole group into a problem. If the costs could be more consistent, more stable, then we could look at managing it into our expenses. (SB that doesn't offer HI)*

*If you knew that it was going to stay fixed you could operate your business accordingly. You could structure your pricing structure or your wage structure or whatever but it is going up so fast. Other than the obvious, it costs a lot kind of answer. That is true, but as an owner if there was some way to fix that cost or retard the rate of growth, it might be something we could address and maybe do. (SB that doesn't offer HI)*

**Business owners described the problems of being in a small group:**

- Small changes, like having a 60<sup>th</sup> birthday, can increase rates
- Short-term conditions, like pregnancy, can raise rates for the year
- Long-term conditions can raise and keep rates high for the entire pool
- It can be hard to switch insurance companies if someone in the pool has a pre-existing condition

**Businesses work to devise plans that are economically sustainable for the business and the employees.** This is becoming a bigger struggle each year. Businesses are trying to control costs by increasing deductibles or co-pays, decreasing coverage, sharing more of the costs with employees, and shopping for better rates each year.

*It seems to be one expense that is out of our hands as far as how to control the cost. We can look for a different plan or you can try raising the deductible or whatever, but every time the agent comes and says, "Oops, they went up." What can you do? You can try to bid it out again and maybe this time Blue Cross is out to get Medica's business.*

*... So if you want to upset your employees and give them new applications to fill out every year that is the only way that I can see to control that cost or try to keep a lid on it. (SB that does offer HI)*

**Several businesses said employees were unwilling to pay a share of the cost of insurance.** These businesses cannot afford to pay the full cost of insurance and offered to pay part if the employees paid part. Employees were unwilling or unable to have their portion of the insurance deducted from their pay. Owners said these employees were young and probably did not realize the value of insurance.

*We offered it at one time, but they would say, "Don't take it out of our check." We would take a little out of their check to match and it got to the point where they said, "We don't want the insurance any more." They wanted the money. Then we didn't have enough employees who wanted it. Right now I only have three full-time employees and my part-timers are basically high school kids. Two of the three that I have right now are ones who weren't willing to pay their share. (SB that doesn't offer HI)*

*I had some employees who were after me to get insurance for them. So I was going to cover the employee 100 percent and they would have to cover their spouse and family with a \$500 deductible. That was the best I could afford for them. They talked about it and when they realized what their part of the costs were they said, "We aren't interested. We can't afford that." These are young people with young families who really should be insured but they can't afford it. Their lifestyles do not allow them to have health insurance. They were basically uninsured with young kids. Which is frightening. They thought I would pay a full ride for them. Well, that is not feasible in a small business. Maybe it is for some of these large corporations where their profits are hundreds of millions of dollars a year. They can justify that. But in a small business where your profits are tens of thousands, it is not feasible. There would be no profit left. And then where are you? Then the employees not only don't have health insurance, they don't have a job because we go broke. (SB that doesn't offer HI)*

**Besides the cost of the premiums, there are costs associated with paperwork for both the owner and the employees.** Some business owners hired employees, consultants, or other businesses to take care of some of these issues. This will be discussed more in the next section.

### **What makes it hard to offer health insurance? Paperwork.**

After cost, paperwork seems to be the biggest barrier to offering insurance.

- Paperwork is frustrating and time consuming. There is...
  - Paperwork for maintaining health insurance
  - Paperwork the owner must complete when shopping for insurance
  - Paperwork employees must complete for shopping
  - Employee paperwork that employers complete as a way of retaining good employees
  - Paperwork for COBRA

#### **Owners who were offering insurance complained loudly about the administrative burden of managing and shopping for health insurance.**

Shopping has become an annual frustration for some businesses. When rates jump too much owners said they look for more reasonable coverage. Businesses start shopping by getting a quote based on an age census of employees, which gives an idea of what coverage may cost. To get a firm rate, each employee must complete a health history or a waiver. The health insurance industry does not have a standardized health history form, so each employee must fill out a different form for each health insurance company that is providing a formal offer. This means that the owners must cajole each employee into completing these forms accurately and submitting them on time. If these forms are not adequately completed the health insurance company will contact the employer/employee for more information. This entire process can take months to complete. Large businesses are not required to provide individual health histories when they are considering changing health insurance companies.

**Employees don't want to deal with paperwork either.** Employees get confused and frustrated and turn to their employer. One employer said that for over six months he was spending time each month helping an employee deal with health insurance paperwork. He did this to keep a valuable employee. Some employers said the advantage of an HMO is that employees don't need to deal with paperwork but that HMO coverage is more expensive. So to decrease costs some small business owners take on additional paperwork for themselves and their employees.

*My head person ... had an operation. His little girl had a terrible double fracture of her leg and then his wife had to go in for surgery. The wife is at home and he is saying, "Take care of this." ... She is very intelligent but she doesn't want to handle it. The stuff sat there until he brought it to me in July with the bill collectors after him. I am*

*trying to figure out which bill is for which person. So once or twice a month I was spending 3 or 4 hours a day ... trying to handle his medical because I have to keep him happy and his wife won't handle it and he won't learn. (SB that offers HI)*

*We all have major medicals and that is the biggest glitch. With HMOs people don't have to do the paperwork. ... But we are sitting here with major medicals because of costs. (Second person) That does complicate things because employees don't know how to take care of things. (Third person) We are making it part of their responsibility in order to control costs. I had an employee come to me the other day and I said the reason you have to do this extra paperwork is to save about 40 percent on your premium. [He asked], "Well, can I get the other kind if I pay the 40 percent?" He would rather pay the extra and not have to deal with handing that paperwork in. (SBs that offers HI)*

**A few owners also mentioned their frustration with the COBRA paperwork.** Once an insured employee leaves, a business may have to deal with COBRA paperwork for 18 months.

*What is really ugly is COBRA. The paperwork to it. You have timeframes. Sixty days to do this. Thirty days to do that. ... You can't just do it, be done with it, and file it away. It goes on for 18 months. (SB that offers HI)*

**Business owners who don't offer insurance want to avoid the burden of paperwork.** They don't enjoy it and it complicates the business. It either takes them away from things they enjoy or they have to pay someone else to take care of it, adding to the cost of the business.

*As a small business owner you want to be out doing what you do best and not sitting behind a desk doing something you are required to do. You don't really want to do it but you are stuck with it. (SB that doesn't offer HI)*

*Our numbers are so small that we are going to be paying a fairly high rate or constantly be having to review and change it. It is just something that I don't want to have to deal with. (SB that doesn't offer HI)*



*We do not have insurance. I had it years ago and it drove me right up a wall. It was expensive and it was a lot of red tape and it didn't work. I was just happy to get out from under it. (SB that doesn't offer HI)*

*No thank-you. I can't get [the paperwork] that I have done. (SB that doesn't offer HI)*

*If you are going to have a full-time person managing your health care benefits, you are going to have to generate that \$15,000 or \$20,000 dollars for that employee. That is cost. It is all cost. If it was reasonable enough and we could afford to do that it would be a benefit to everyone. If we all go broke trying to insure our employees, they not only don't have benefits, they don't have jobs. (SB that doesn't offer HI)*

*Before I bought the company it was a hassle because it seemed like every six months they were changing companies. Every time I turned around [as an employee], even though I didn't ask for the coverage, if you worked for the company you had to fill out this questionnaire ... for some other health insurance company. Being an owner now, if I had to take care of that every six months or a year, aside from buying it! My time and cost of dealing with health insurance instead of out selling and here I am doing paperwork for insurance companies. ... It always seemed like it was a constant hassle for [the previous owners]. It was a hassle for me to fill out the paperwork as one employee. I am exaggerating when I say every six months but it seemed like there was a constant turnover of companies. You stick with a company and all of a sudden you would have a claim or two and your rates would go up so you would shop around to find another company that would accept you or you try to negotiate those rates. (SB that doesn't offer HI)*

**What makes it hard to offer health insurance? A lack of expertise.**

Some small business owners felt they didn't know enough about health insurance to be making decisions about it for others. One owner admitted that he thought health insurance was scary and that he preferred not to have to deal with it. Some owners were hiring experts to help with the decision making and paperwork involved with health insurance.

*It is hard to have someone even knowledgeable in it. (SB that doesn't offer HI)*

*I think insurance overall is scary for the average small businessman. It is confusing. There are so many variables on who to insure and how much deductible and so on and so forth that health insurance becomes a scary issue to deal with. Because it is confusing and it is hard to understand. I know so little about insurance that I would have little idea where I should go and what I should look for as far as costs and shared costs and so on and so forth. So maybe that is something that needs to be looked at too, simplifying things for a small business owner. (SB that doesn't offer HI)*

**What makes it hard to offer insurance? Changing compensation/benefit packages raises employee concerns**

**Small business owners do not like dealing with employee concerns related to compensation and benefits.** Small business owners often employ people they have relationships with: family members, neighbors, and friends. Or they develop close relationships with their employees as they work together. Employers want employees to be happy. If cost were no issue it would be easy to make health insurance decisions and keep people happy. But cost is an issue and decisions related to it affect employee / employer relationships.

**Several owners said they had explored offering insurance but that it created problems in how to fairly compensate all employees.** Employees who did not want the insurance wanted the equivalent value in increased pay. This would create an accounting nightmare if implemented and hard feelings if it weren't. It was easier to continue not offering insurance.

*If you have a few employees who take on the group plan and a few employees who don't—let's say you have a \$10 guy and your insurance equivalent is a dollar an hour. So now this guy is costing you \$11. What about the guy who doesn't take you up on health insurance? Do you give him the extra buck? They talk at coffee. They know what each other is getting paid. So you increase the guy who doesn't take the insurance. Then the insurance goes up. It gets to be a bookkeeping tug of war. (SB that does not offer HI)*

**Some of the owners who aren't offering health insurance said they are reluctant to start offering it because they don't know how long they could continue to afford it.** It is difficult to take a benefit away from employees. Business owners are serious about their commitments and do not want to be in a position where they would not be able to carry through with offering health insurance to employees. They felt they would lose employees if they offered and then took away health insurance.

*If there was an initial cost and you could stabilize that cost and you knew what it was, I could live with it. But I can't live with it if I am sticking my name on a contract that says I am going to supply eight people with insurance and I have no idea where the cost are going to go next year or the year after. You are at their mercy. Once you get in, how the hell do you get out of it? It ain't easy to get out of it. (SB that doesn't offer HI)*

*There is a feeling that you are part of a runaway freight train and if you get on you are on for the ride. You have to go for it. ... You just about have to change employees. You aren't going to take a benefit away from an employee. (SB that doesn't offer HI)*

**Owners who do offer health insurance said employees do not like changes to their plans.** Employees do not like changes in providers, increased paperwork requirements, or increases in their share of the costs—changes some employers have made to keep costs down. These things upset employees and, in turn, employers. Small business people would prefer not to have to deal with these personnel issues.

*If you change every two years it is not only the application, but getting people used to the new system. (Second person) People hate change. (First person) I hate change. (SBs that offer HI)*

## **What would make it easier to offer health insurance?**

Business owners said it would be easier to offer health insurance if:

- Health insurance were cheaper with smaller, predictable rate increases  
Small businesses were part of a larger group  
Consumers and providers were more responsible
- There were simple-to-understand plans with little paperwork involved

## **What would make it easier to offer health insurance? If it were cheaper!**

Owners said the obvious answer is to make health insurance cheaper. In addition, it would be easier if rate increases were smaller and predictable. Rapid rate increases are difficult for small businesses to manage.

*Somehow we have to get the cost of health insurance in line. ... It is very hard for us to insure people because of the cost. You need to make it feasible for a small business. (SB that does not offer HI)*

*If the costs were stable, somewhat consistent, then over time we may be able to start managing that into our expenses and be able to offer it. (SB that does not offer HI)*

*Fix the cost. ... From a business standpoint it is a numbers game. There is no way you can balance a budget if you don't know what the cost is going to be. (SB that does not offer HI)*

**Over and over small business owners suggested that creating larger pools would be one way to make insurance cheaper and to guard against the perils of a small pool.** They are told that one reason they have high rates is because they are in a small pool. Logically, they wonder why they just can't get together with other small businesses and create a larger pool. Many think this would be a good solution to some of the problems small businesses face. Some want to explore the potential of industry groups, like groups for barbers or bookstores. Some want to explore the potential of geographic groups, like forming a group for businesses from the Hutchinson area. Some wondered why this isn't being done. A few said they had explored joining a group and found it to be more expensive than buying an individual policy.

*It sounds like we are all about in the same boat. Why don't we just figure out how to get in this boat together and make it a positive for us? Why don't we have a small business group for the city? (SB that does not offer HI)*

*You used to hear of these people who got a deal on health insurance. "Well, it is because we are part of a group." Well, take everyone who is not in a group and make a group! Is that difficult? (SB that does not offer HI)*

**Business people believe health insurance would cost less if consumers and providers were more responsible.** Some owners blame individuals for abusing the health care system and driving up costs. Some see people using their insurance for what the owners consider to be unnecessary things or on things the employees probably would not do if they had to pay for it: frequent runs to the doctor, cosmetic surgery, artificial insemination. They attribute some of this to a third party payment system where consumers do not see the cost of, or do not have to pay for, care. Providers were also blamed for increasing health care costs. Some owners believe that providers offer too many tests and procedures because they are covered by insurance.

*I don't really think it is a government issue. I think it is a personal issue. People taking personal responsibility for how they ... behave when they get in a medical situation. (SB that offers HI)*

*Third party payment is, "I'm not paying for it, let's go!" That is a huge problem. ... People have [to take] responsibility. They don't want to take responsibility for their actions, what they do, for the charges, and what the consequences are. ... That is why I had to go to a medical savings account because of my values and my own sanity. And [so] that my employees understand the consequence for having three pair of prescription sunglasses. (SB that offers HI)*

*The thing that got me was that the insurance company covered the cost of artificial insemination for one of my secretaries. A \$10,000 cost. I thought that shouldn't be. ... I asked her how they could afford to do it because they had to try and try and try and she said they wouldn't be doing it if it wasn't covered by insurance. (SB that offers HI)*

*We have fueled the rising costs because we [all have insurance and] are not paying for it out of our pocket. One of the solutions that we brought forward was that somehow we have to introduce the consumer*

*back into the equation and tell the doctor, “No, I am not going to pay \$10,000 for this surgery. I am going to shop around and see if I can find someone to do it for \$5,000.” The fact that my insurance covers it, there is no incentive for the medical community to keep costs down. Until we start to fiddle with that I don’t think there are any answers to it. (SB that does not offer HI)*

*My father was in intensive care four times in seven months. He had what he called the Gold Card. He worked for the state and they gave him any test, every test, it didn’t matter. We told the health care people at one point that they should not keep him alive. Nope! He had the Gold Card. ... Finally after all these extra tests because basically [the doctor] was getting paid for them, they said, “OK, we should let him go.” It is a racket. Multimillion-dollar bills on my dad in seven months. Half of it was unnecessary. They didn’t save him. They did nothing but take money from the medical card. It is a racket. (SB that does offer HI)*

### **What would make it easier to offer health insurance? Simple to understand plans with little paperwork involved**

Owners said small businesses do not have the staff or expertise to deal with complex plans that require a lot of management time. They want plans that are simple for them to understand, manage, and explain.

*Make it simpler to understand. (SB that does not offer HI)*

*There is no infrastructure out there to help us [offer insurance] as a small business. You have to say, well, I have nothing to do this month. I think I will spend 20 to 30 hours wrestling around a health insurance plan that might be used by a handful of people. ... There is no easy way to get on this wagon or to get off. Large corporations have infrastructure for this. For us, we are doing everything from changing the lightbulbs to talking about insurance. So to find the time and the wherewithal to create this thing is a daunting task. To have it done for you ... state supplied or insurance-agent supplied. For someone to come in and say, we have got the plan. Here is how it works. All you have to do is check this box and we can tell you what it is going to cost and how to offer it and how to get out of it if you don’t want it. So you don’t have to create the wheel. (SB that does not offer HI)*

## **Are there things the State of Minnesota or the federal government could or should do to help you provide health insurance to employees?**

This question spurred polite debates about to what extent government should be involved in health care issues. Some firmly believe that government should leave the marketplace alone. They fear that government involvement would increase inefficiencies and add to costs and/or taxes in the long run. Others believe government should step in to help control rising costs and help all people be covered by health insurance.

*I don't think government is the answer. (SB that offers HI)*

*It is all kind of a vicious circle. You don't want government involved and yet you almost have to have them involved. You don't want them to control prices for one industry because then they would be looking at other industries. It all just goes around. How do you fix it? (SB that offers HI)*

*I don't want them involved because I believe in small government. (SB that doesn't offer HI)*

*For government to try to control costs, government generally does not do a very good job when they try to control any industry by regulation or deregulation, so I am not sure there is an answer. (SB that does not offer HI)*

*A lot of big businesses might say, "We don't want the government involved." I am not afraid of having the government involved. ... I think there is much more control to be done. The multibillionaires would think differently about that. The small businessperson is left alone. You either have to be a midrange to large investor and control the politics. (SB that does not offer HI)*

*Maybe the State of Minnesota is going to have to make a decision and jump in on this. They are involved in so many other things. Do we want government more and more in business? I don't know. It might be the only out. Who can we blame for these escalating costs? ... How can they justify the costs that they charge? (SB that does not offer HI)*



Some people did suggest ways that the state or federal government could help. They said:

- Find ways to control health care costs
  - Put caps on profits for health care businesses
  - Limit litigation
  - Reduce government required paperwork
- Organize larger pools for small businesses
- Subsidize health insurance for small businesses
- Devise a way for small businesses to contribute to a government sponsored program, like MinnesotaCare, as a way to cover employees

**Some business owners suggest that the government find ways to control health care costs.** People said the real issue is health care costs, not health insurance. Health insurance is expensive because health care is expensive. They suggest that the government find ways to control health care costs. Their ideas included capping profits, limiting litigation as a way of reducing malpractice insurance costs, and reducing government required red tape.

*If you really want to do something, have the government get involved in controlling some of the medical costs. Not the cost of the insurance. What it costs you when you walk in the door of the hospital. How you do that I don't have a clue. Costs have just gone absolutely crazy. And of course that is what is driving the premiums so high. My wife woke up at 5:30 and by 10 in the morning I had spent \$10,000. The emergency room and a helicopter ride. How do you handle that? (SB that does not offer HI)*

*I am not a socialist but unless you are going to get into some situation where there are caps on amounts of raises you can have for any period of time, caps on pharmaceuticals. ... It seems ridiculous that you can go to Canada for cheap prescriptions. If they are cheap in Canada they have to average out, so we must be paying for it. (SB that does not offer HI)*

*The only thing I could think of is the legal end of it. Limit the liability lawsuits, that would help keep costs down. Also introduce something related to malpractice. (SB that does not offer HI)*

**Small business owners suggested having the state or federal government organize larger pools as a way of getting reduced health insurance rates.**

Some felt the state would have the ability to negotiate lower rates. If this happened they wanted simple plans with little paperwork.

*Maybe the state could establish group advantages for small businesses to join in and having two types of plans. Information that would be easy to read and understand and explain to the employee. (SB that does not offer HI)*

**A few people hesitantly suggested that the government provide some kind of incentive for employers to offer insurance.** They did not go into detail about what this might look like or how big an incentive they would want.

*They almost need to have it subsidized by the government and no one likes to hear that. (SB that does not offer HI)*

*Getting into this business I sat down with my bookkeeper the first time when she started doing payroll taxes and I was like, say what? Why are we adding up all of these numbers? Why am I paying that? I thought they were paying that. It blew me out of the water when I saw what my part of that is. Not only what I am taking out of their check but then what I am matching on that stuff. So [I would need] some type of an incentive on my own part to provide that for them. (SB that does not offer HI)*

**A number of employers suggested that the state should allow employers to contribute to government sponsored insurance programs, like MinnesotaCare.** This would be a low-cost option for employers. Employers could pay health insurance benefits instead of increasing wages, which might result in making employees ineligible for the program.

*Does the state allow employers to be part of MinnesotaCare? If you are paying an employee \$10 per hour so their annual income is \$16,000, for example, and they could qualify for a program, can the employer pay part of that premium? (SB that does not offer HI)*

*I have an employee that is working with Minnesota Comprehensive or something like that. They are a family of four and their income is only so much and they qualify for it. I am curious. Would they give me the opportunity to participate at that level? We right now cannot offer our employees anything. Does the state have a deal where if the family qualifies could we pay half of their premium or whatever? (Second person) Rather than giving them a raise that would take them out of the qualification for it. (SB that does not offer HI)*

**Here are three programs that could be used to reduce the cost of insurance: premium sharing, small employer tax credits, and stop-loss protection. What do you think of these?**

These are three programs that are being pilot tested in other states. We briefly explained each program (as outlined in the boxes below) and asked business owners what they liked and disliked about each of them.

**Premium sharing.** This is an incentive to employers to offer coverage for their employees. The employer pays \$50 per month per person for coverage, and the employee pays \$25 per month. The remaining cost of coverage per employee is split evenly between the state and federal governments.

**Of the three options, small business owners liked this one best.**

Owners liked:

- The low cost
- The consistency of the cost (they assumed the costs would not raise rapidly from year to year)
- The simplicity of the program
- That someone else would be negotiating rates, administering, and managing the program

They asked:

- Could the rates be realistic? They seem too low.
- What kind of coverage would be offered for this low rate?
- How much would it cost to insure a family?
- How much would this cost the state and federal government?

Owners disliked:

- That this type of program might lead to second-class coverage for small business employees
- Taxes would be used to pay for the program
- That the plan does not address the underlying problem of escalating health care costs

*It is simple. You can understand it. It makes sense. (SB that does not offer HI)*

*If these are realistic numbers. If I could pay \$50 per month and my employee would be happy to pay \$25 per month. If we could insure those people for \$75 I think we would have everyone in the countryside signed up. (SB that does not offer HI)*

*This premium sharing is very attractive from a business standpoint. If it could stay like this. It is a fixed cost. But everyone knows we are still paying for it because we are the state and we are the federal government. We are still paying the taxes but at least the small business isn't forking out unfairly. (SB that does not offer HI)*

*I think it puts the fight in the arena where the combatants are at least on equal footing. I know I am not on equal footing with all the heavy players. If we had a state agency in charge of negotiating with [insurance companies]. It is their job to maintain health costs. All I have to pay is 25 cents a head [rough estimate of hourly cost per employee]. I think any business up and down the street would line up and be happy to offer it to someone who doesn't have health insurance because we really should. (SB that does not offer HI)*

*The nuts and bolts of it is that we a) don't know what kind of coverage this is, and b) is this a fixed situation or is it just going to go up, and c) this doesn't really solve the problem. It makes it more affordable for us, and it makes it easier for us to say we offer health insurance but it doesn't really solve the problem of escalating health care costs. (SB that does not offer HI)*

**Stop-loss protection.** This plan requires health plans to offer scaled-down health plans (exempt from certain state-mandated benefits) and provides stop-loss protection (90 percent of claims that fall from \$30,000 to \$100,000 for each member) to health plans, thereby making low-cost plans available. This would be a government subsidy to health plans for small employers. This protection reduces the volatility of premiums by limiting the impact that high-cost cases can have on employer premiums.

Owners liked:

- The stop-loss protection that limits the volatility of premiums

They asked:

- What would scaled-down health plans exclude/include?
- How much would this cost the state and federal government?

Owners disliked:

- That a scaled-down health plan might lead to second-class coverage for small business employees
- That employees may not want a scaled-down health plan
- Taxes would be used to pay for the program
- That the plan does not address escalating health care costs

*You start scaling down and you lose the competitive edge [that employers get from offering health insurance]. (SB that offers HI)*

*Employees don't like the idea of a scaled-down health plan. I am just guessing. You are taking away ... benefits. (SB that offers HI)*

*The stop-loss is probably the least intrusive into the way people are doing business. ... I am not sure the scaling down is appropriate to make it affordable. You never know what they are going to scale down. ... What goes is mental health care. (SB that offers HI)*

*If you didn't give up some of the coverage, which is the scaled down, the rest of the stop-loss looks good. (SB that offers HI)*

*It would be another option because I would know what my costs were, which I don't have now. If I knew that in a time of catastrophe our rates would not go way up. (SB that does not offer HI)*

**Small employer tax credits.** These are refundable tax credits to small employers who are newly offering health insurance coverage. In years 1 and 2, credit is \$35 per month per employee or 50 percent of total annual premium, whichever is less. The tax credits phase out over 5 years.

**Of the three options, people had the most objections to this one.**

Owners disliked:

- The credits are phased out after five years. They called this a Band-Aid and said it is not a long-term solution.
- This seems to make accounting more complex.
- That only businesses with a lot of growth over five years would be able to pick up the total premium at the end of five years. Most owners said they don't expect that kind of growth.
- Businesses that were already offering insurance felt this plan gave an unfair advantage to those who had not been offering insurance. They did not like this plan because they would be ineligible.

*Red tape. I see it as an accounting chore and it goes away after five years so really it just pushes something off into the future and gives you a little bit of a Band-Aid. ... It just eases the pain of transition. It is to change your paradigm and give you a little bit of money. (SB that does not offer HI)*

*The only way that would work is if you were a new business and you were growing. ... You couldn't afford to do health insurance now but you knew in 4, 5, or 6 years that your profits would kick in. This would help you offer the coverage now to get the employees in and trained and hang onto them until the point where your business would kick in and pay for it later. But most of us aren't in that situation. So I don't think it is that workable. (SB that does not offer HI)*

*It looks like a Band-Aid approach to me. The problems that we talked about aren't really addressed. ... The train is out of control and in five years it could be more out of control and there you sit worse than where you started because now you have five years of these health insurance cost problems getting bigger and bigger. (SB that does not offer HI)*

**Some people disliked each of these options because:**

- They don't address escalating health care costs
- Tax money would be used to pay for these programs

*Who pays all this? We are going to end up paying it anyway, aren't we? As citizens of the United States or of the state. We will have to come up with the revenue someplace to offer it. Where is it going to come from? Tax something else? (SB that does not offer HI)*

*My opinion of it is that I don't think [these plans] will change much because the problem is increasing cost and I don't think this addresses increasing costs. (SB that does not offer HI)*

## **What do you think should be done to reduce the number of uninsured people in Minnesota?**

Many business owners said they don't know enough to respond to this question. So instead, they asked questions. These three were raised repeatedly:

- Why are health care and health insurance costs out of control?
- What is the problem with having 5 percent of Minnesotans uninsured?
- Whose responsibility is health insurance?

### **Why are health care and health insurance costs out of control?**

Participants asked this question over and over. If insurance cost less, fewer people would be uninsured, so what is driving up the cost? They wonder if increases are going for research and development of new technology or drugs, lawsuits, malpractice insurance, physicians, lawyers, or exorbitant profits? Is it because people are overusing health care and aren't responsible for the costs? People were frustrated by the cost increases but weren't sure where to place blame or where to suggest changes.

*I would like to know where this thing got out of control. How did it get out of control? (SB that does not offer HI)*

*Is that something the Minnesota Department of Health understands? What are we receiving for the increasing costs that we have all seen over the last 10 years? What is going on? (SB that does not offer HI)*

*Where is the money going? (SB that does not offer HI)*

*Who is getting the money? (SB that does not offer HI)*

*Your insurance companies are going to tell you that your rates are going up because of all the claims and losses and all this other stuff. But I know someone who used to work for an insurance company and he swears the reason they are raising the rates is because insurance companies are filthy rich and they want to get richer. ... If the insurance companies can get away with raising your rates they are going to because they are a business. If doctors can charge more they are going to charge more because that is the American way. That is a good question. Where is the extra money going? (SB that does not offer HI)*



**What is the problem with having 5 percent of Minnesotans uninsured?**

Some people also wanted to understand the economic and health consequences of having uninsured people. How does being uninsured affect individuals, their ability to get health care, and their personal finances? How do the uninsured affect health care providers? What role do the uninsured play in increasing health insurance costs? What happens when the uninsured don't pay bills? Who ends up paying for that? Is it just a matter of either paying higher insurance rates or higher taxes to cover the uninsured? Do we pay the same amount either way? Would health care cost less if all people were insured?

*Are there Minnesotans who are dying because they are being denied medical care? My general perception is no. There aren't people who are being thrown into the poor house. That would be the other issue. Are people facing financial ruin because they are in an underinsured situation? They have a catastrophic medical emergency and they end up with no money? It is my understanding that here in our community that if you have something catastrophic happen and you pay the good Sisters [at the local Catholic hospital] a dollar a month, you are fine. If you are making an effort they are not going to drag you into court and sue you and drive you into bankruptcy. Maybe I am way off base and really naïve. (SB that does not offer HI)*

*If it is only 5 or 6 percent I don't think that is a problem. (SB that does not offer HI)*

### **Whose responsibility is health insurance?**

Some people did not feel it is the responsibility of businesses to provide health insurance—it is a benefit they choose to offer based on their situation.

Some people believe it is an individual's responsibility to make sure they have coverage.

Others felt it should be a role of the government to make sure everyone is covered. Socialized medicine was mentioned in each group. A few people cautiously raised the idea, citing their beliefs that all people should have easy access to health care in the United States. In response, people said they did not want Canada's health-care system. A few people replied that Canada's system is very good but misinformation is used to scare Americans.

*What does health insurance have to do with your job? It has nothing to do with it. You don't find employers picking up car insurance payments, do you? It is an incentive to entice better quality employees. It is a benefit. It is a privilege to have that benefit. (SB that does not offer HI)*

*Do I feel it is horrific that some Minnesotans don't have health insurance? No, I don't feel bad about that. I think everybody who wants it is buying it. That is my personal opinion. If you want health insurance, you have gone out and found it. Now if you can't afford it but you want it maybe you make some adjustments and you figure out a way to buy it. I know you can buy low-end, cheap catastrophic insurance. (SB that does not offer HI)*

*There is a certain amount of socialism [in these programs] but there is a morality here. In the wealthiest country in this world by far, there isn't any reason that the best this country has to offer shouldn't be available to everyone without a whole lot of hoops to jump through. (SB that does not offer HI)*

*I believe that every human does deserve good health-care coverage, the socialization of it. My fear of that is once you get the government involved there are inefficiencies there. ... So if there are ways that the inefficiencies of government in general could be cleaned up as it relates to health care. (SB that does not offer HI)*

# Conclusions

These small business people were thoughtful and concerned.

Offering health insurance substantially increases the financial and administrative burdens on a small business.

Small business owners know their workers well and want them to be healthy and happy. In fact, often their employees are relatives and friends. Most owners would like to supply insurance but taking on insurance means taking on additional responsibilities. Many are already working long hours and some say they are marginally profitable now. They do not want to take on these additional responsibilities unless it is necessary or easier to do.

Some business owners were interested in the potential of government-supported programs that might make it easier for small businesses to offer insurance. Other owners were against potential programs because they felt they would lead to increased taxes and larger government.

Owners are very concerned about the escalating costs of health care, which spur increases in insurance rates. They want to know why these rates are increasing at a rate much higher than inflation and what the government might do to slow increases.

Owners were uncertain what the consequences of being uninsured were and how that translates to the rest of society.

**Focus Group Questions for  
Companies That Don't Offer Insurance**

1. Tell us your name and in about two sentences tell us about your business.
2. At some point you decided that health insurance wasn't a benefit your business was going to offer to employees. Can you tell us how you decided that or what you considered in making the decision?
3. Have any of you offered employees health insurance or money to buy health insurance in the past? What prompted the change?
4. Have your employees ever indicated that they wished you offered coverage? Do they care?
5. What influence does not offering health insurance have on you ability to find and keep good quality employees?
6. Do you give your employees information about other health insurance options, like MinnesotaCare or private insurance?
7. What do your employees do for health insurance? (Through spouse? Not get it?)
8. What makes it hard for you to offer health insurance? What gets in the way?
9. What would make it easier for you to offer health insurance?
10. Are there things the State of Minnesota or the federal government could or should do to help you provide health insurance to employees?
11. Here are three different kinds of programs that could be used to reduce the cost of insurance: (See handout)
  - Premium sharing
  - Small employer tax credits
  - Stop-loss protection
  - a. What do you see as the advantages and disadvantages of each of these?
  - b. How would you feel about participating in any of these programs?
12. Let's say you had a minute to give advice to the Commissioner of the Department of Health. What do you think should to be done to reduce the number of uninsured people in Minnesota?

**Focus Group Questions for  
Companies That Offer Insurance**

1. Tell us your name and in about two sentences tell us about your business.
2. At some point you decided to offer health insurance as a benefit. Can you tell us how you decided that or what you considered in making the decision?
3. Have any of you not offered health insurance in the past? What prompted the change?
4. Do some employees choose to not enroll in the health insurance that is offered? Why? Tell us about those situations.
5. Do you have employees who aren't eligible for your health insurance? What makes them ineligible? Tell us about those situations.
6. What do you see as the value of health insurance to your company?
7. What is hard about offering health insurance? What makes it difficult?
8. What would make it easier for you to offer health insurance?
9. What could the State of Minnesota or the federal government do to make it easier for you to provide health insurance to employees?
10. Here are three different kinds of programs that could be used to reduce the cost of insurance: (See handout)  

Premium sharing  
Small employer tax credits  
Stop-loss protection

  - a. What do you see as the advantages and disadvantages of each of these?
  - b. How would you feel about participating in any of these programs?
11. Let's say you had a minute to give advice to the Commissioner of the Department of Health. What do you think should be done to reduce the number of uninsured people in Minnesota?

## **Handout**

### **Three Programs that Could be Used to Reduce the Cost of Insurance**

#### **Premium sharing**

- An incentive to employers to offer coverage for their employees.
- The employer pays \$50 per month per person for coverage.
- The employee pays \$25 per month.
- The remaining cost of coverage per employee is split evenly between the state and federal governments.

#### **Small employer tax credits**

- Refundable tax credits to small employers newly offering coverage.
- In years 1 and 2, credit is \$35 per month per employee or 50 percent of total annual premium, whichever is less.
- The tax credits phase out over 5 years.

#### **Stop-loss protection**

- Requires health plans to offer:
  - scaled-down health plans (exempt from certain state-mandated benefits)
  - provides stop-loss protection (90 percent of claims that fall from \$30,000 to \$100,000 for each member) to health plans, thereby making low-cost plans available.
- This would be a government subsidy to health plans for small employers.
- This protection reduces the volatility of premiums by limiting the impact that high-cost cases can have on employer premiums.

## Focus Group Schedule

### Small business owners and managers

#### Businesses That Offer Insurance

<u>Date</u>	<u>Place</u>	<u># of Participants</u>
March 19	Hutchinson	7
March 25	St. Paul	4
April 16	St. Cloud	3

#### Businesses That Don't Offer Insurance

<u>Date</u>	<u>Place</u>	<u># of Participants</u>
March 19	Hutchinson	8
April 16	St. Cloud	7
April 25	Willmar	5
May 14	St. Paul	7