



*THE COMMONWEALTH OF MASSACHUSETTS  
EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES*

***DIVISION OF HEALTH CARE FINANCE AND POLICY***

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October 21, 2004

Judy Humphrey  
State Planning Grants Program  
Special Programs Bureau  
5600 Fishers Lane, Room 16C-17  
Rockville, MD 20857

Dear Judy,

Attached is the updated October, 2004 Massachusetts HRSA report. We have included in this report a summary of interviews with small employers that do not offer health insurance, information about high cost utilizers of the Uncompensated Care Pool and a description of updates to our modeling efforts spearheaded by our contractor, Dr. Jonathan Gruber.

We look forward to continuing our work under your generous funding knowing that it will result in information that will better inform our decision making.

Sincerely,

Amy Lischko  
Assistant Commissioner, Division of Health Care Finance and Policy

cc: Myisha Patterson  
Darren Buckner

## Progress Report

In October, 2003 the Health Resources and Services Administration (HRSA) granted Massachusetts supplemental funding to continue activities designed to increase our knowledge of the characteristics of the underinsured and uninsured population in Massachusetts as well as the workings of the health insurance marketplace in the state. The four tasks proposed for the project were aimed toward ultimately increasing access to affordable health insurance for all state residents. Tasks include both qualitative and quantitative data collection, analysis and evaluation activities. The following matrix identifies each task, task refinements that have been undertaken as a result of work completed to date, associated action steps, anticipated results, staffing and timetable, deliverables, completed work for each task and work that will be completed by the end of the funding cycle.

## Project Matrix

<p><b>TASK 1: Create a more useful form of data from the uncompensated care pool.</b>          Our initial proposal focused on the creation of episodes of care using Uncompensated Care Pool (UCP) claims data. Between proposal development and HRSA funding, the DHCFP developed capacity to create a proxy for episodes of care, linking admission and visit claims. Therefore, this task has been refined to focus on more sophisticated analyses of pool users, including high cost users of the pool.</p>			
<ul style="list-style-type: none"> <li>▪ <u>Action Step 1:</u> Clarify specific data format required to support analyses about uncompensated care pool users, without duplicating ongoing efforts</li> <li>▪ <u>Action Step 2:</u> Analyze cost and utilization patterns of the uninsured population.</li> <li>▪ <u>Action Step 3:</u> Segment population into subgroups to develop appropriate policy solutions that may advance health care coverage among pool users.</li> </ul>			
<p><b>Participants</b> DHCFP Analyst</p>	<p><b>Timetable:</b> 10/1/03 – 9/30/05</p>	<p><b>Anticipated Results</b> Reports detailing state’s uninsured population use of the UCP.</p>	<p><b>Evaluation/Measure:</b> More comprehensive information about UCP users.</p>
<p><i><b>Completed work:</b> Key preliminary characteristics of high cost UCP users have been identified: this subset is likely to be male, with more than one chronic medical condition, 1% of pool users are responsible for half of UCP inpatient costs, much more skewed than the insured population.</i></p> <p><i><b>Next Steps:</b> Additional analyses will focus on mental health and substance abuse diagnoses and on actions the state can take to address this issue.</i></p>			

**TASK 2: Conduct focus groups of employers who offer health insurance and employers who don't offer health insurance, and employees of both such employers, as well as sole proprietors.**

The DHCFP proposed to supplement its extensive knowledge of employer based health insurance by obtaining qualitative data from employers and employees. This task has been revised to use primarily interview data rather than the focus groups originally proposed, in order to protect confidentiality of employer participants.

- **Action Step 1:** Interview employers that do not offer health insurance to understand their decision making process regarding health care coverage
- **Action Step 2:** Analyze information gathered from employees in health and human service positions regarding their perceptions of access to health insurance

<b>Participants</b>  DHCFP, consultants	<b>Timetable:</b> 10/1/03- 9/30/04	<b>Anticipated Results:</b> Reports detailing employee and employer perceptions regarding access to health care coverage	<b>Evaluation/Measures:</b> Increased understanding of factors that influence employer health care coverage decisions.
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**Completed work:** (see attached report) Interviews with small employers that do not provide health care coverage were completed. Employers revealed that they (and their employees) have devised various ways to find coverage for their health care expenses and were knowledgeable about issues related to health insurance. Most appear to understand they are taking a risk by not having health insurance. Results suggest that there is not one solution to the problem of how to extend health care coverage to employees of small businesses. We also completed several focus groups of employees (both insured and uninsured) who work in the human service field; we solicited their experiences about access to health insurance and health care services. Employees confirmed that, in Massachusetts, having no insurance does not mean individuals do not have access to health care, given the availability of the UCP. Several low income workers reported turning down raises or hours to continue to qualify for MassHealth, showing that low income work doesn't support private insurance.

**TASK 3: Evaluate changes to public and private health insurance.**

Using data from multiple sources we will determine whether it is possible to assess whether crowd out effects trends in public and private health care coverage in Massachusetts.

1. Action Step 1: Determine which data sources may be used to examine crowd out, including the household survey, UCP data and the employer survey.
2. Action Step 2: Identify variables from each data set and create multivariate analytic models to be tested using existing data sources.
3. Action Step 3: Interview 20 providers, including emergency room and community health center staff
  - Obtain their perceptions of the impact the changes in public and private health insurance, loss of jobs, etc. has on their patient pool.
  - Include CHCs with relatively higher proportion of private coverage patients
  - Interview financial counselors/ third party coverage staff at provider locations
4. Action Step 4: Identify and develop ways to gather new measures of crowd out.

<b>Participants:</b> DHCFP analyst, consultants	<b>Timetable:</b> 10/01/03- 9/30/05	<b>Anticipated Results:</b> Written products describing the intersection of public and private coverage in Massachusetts with a special focus on the issue of crowd out	<b>Evaluation/Measurement:</b> Results will lead to more refined measures of crowd out in Massachusetts
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**Completed Work:** *Data sources and specific variables that can be used to measure crowd-out have been identified.*

**Next Steps:** *Specified data analyses will be completed, and provide interviews will be conducted. New measures of crowd out will be proposed.*

**TASK 4: Improve the predictive capabilities of a Massachusetts specific model for assessing the effects of changes in health programs**

- Action Step 1: Integrate more and latest Massachusetts specific data into the model to improve its predictive capability and utility.
- Action Step 2: Create new models that reflect different options for increasing access to affordable health insurance.

<p><b>Participants:</b> DHCFP analyst, consultants</p>	<p><b>Timetable:</b> 10/01/03 – 9/30/05</p>	<p><b>Anticipated Results:</b> Completed model that is useful for various reports, analyses and policy decisions</p>	<p><b>Evaluation/Measures:</b> New health care coverage model that is specific to Massachusetts.</p>
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**Completed Work:** Updated data from Massachusetts surveys and programs have been added to the model and new analyses are being conducted.

**Next Steps:** Continue analyses to increase options for affordable health care coverage in Massachusetts.

-- ATTACHMENT --

**A Report of Interviews with Small Employers Regarding Health Insurance**

**Introduction**

Results of the Massachusetts DHCFP's 2002 health insurance survey indicate that the majority (60%) of all Massachusetts residents obtain health insurance coverage through their employers. To find out more about this important source of coverage, the DHCFP also conducts a biennial survey of Massachusetts employers. Results of this survey indicate that approximately 32% of Massachusetts employers do not offer health insurance; small employers are less likely than large employers to offer coverage. The purpose of this project was to gather information from very small employers (ten or fewer employees) who do not offer coverage about whether, and if so how, their employees obtain health care coverage from other sources. We also assessed small employer willingness to participate in lower cost health insurance options. Information gathered from respondents included:

- Employer knowledge about employee coverage from other sources
- Reasons employers do not offer coverage
- Options available to the employer for offering health insurance
- Impact of health insurance coverage on hiring or other business practices

**Methods**

Respondents to the 2003 employer survey were asked if they would be willing to be contacted again to provide additional information about their company and their experiences with health

insurance. We obtained a listing of all Massachusetts employers with fewer than ten employees who responded to the survey, reported that they did not offer health insurance, and agreed to be contacted following completion of the employer survey. We telephoned all 66 of the employers on this list in order to ask that they complete a telephone interview about their decisions related to health insurance coverage. We were able to complete interviews with 9 of these employers. An additional interview was completed with another small employer who provides health insurance coverage through his construction business.

Employers were asked a series of questions from a semi-structured interview protocol (see Appendix A for Interview Guide). Interviews were shaped by employer responses, using probes to understand specific employer responses as necessary.

## Results

Written summaries of each interview are attached in Appendix B. Key results are highlighted here. The employers who agreed to be interviewed worked in a variety of fields, including:

- Insurance
- Trucking
- Software Development
- Restaurant - Sub Shop
- Auto Repair
- Psychologist Office
- Construction
- Musical Instruments
- Investor Consultation

**Employees often have health insurance coverage:** Five of the ten employers we interviewed have at least one uninsured employee. For the majority of the employers, however, their employees were not necessarily uninsured even though the respondent does not offer health care coverage. For seven of the employers, at least one employee had health care coverage through a

spousal family policy. Two additional employers have employees who obtain health insurance coverage through the public health insurance program MassHealth.

**Strategies for coverage:** Although employees are often covered under another health insurance plan, employers have also developed other strategies to try to make sure their employees have health insurance, even though they do not offer coverage themselves. One employer reported that he will occasionally pay employee health care costs if he perceives that the employee cannot cover the costs him/herself. Another employer splits the costs of a policy for a particular family with the employee's spouse's employer. Employers also indicated they were fairly sophisticated in finding low cost or free preventive services such as mammograms or pap smears. They also pay for primary care services out of pocket; however respondents also indicated they put off seeking some types of care. One respondent has created a \$10,000 "slush fund," which is approximately the cost of health insurance premiums for one year. This slush fund pays for primary and preventive care, and has so far been adequate to meet the couple's health care needs. If this respondent needs hospitalization, she intends to negotiate the price of the hospital stay up front.

**Employers cite costs as the main reason they do not offer coverage:** Half of the employers reported that they previously offered health insurance, but rising costs made it impossible for the business to continue sponsoring coverage. Employers stopped offering coverage because they felt they did not use the full value of the benefits they paid for in their premiums. In the words of one respondent: "health insurance costs are annihilating us." In addition, six of the respondents indicated that if given a choice, employees would prefer to receive the costs of coverage as a salary increase rather than as a health insurance benefit. According to one employer "employees do not understand the value of health insurance." The personal situation of employers often

affects their decision making about whether to offer health benefits. For example, three respondents offered health insurance to their employees until their own children became old enough to not be covered under their family policy. The employers then stopped offering health care coverage because they felt it was important to have insurance for their children but less important for them to have it for themselves as adults. Two employers did not offer coverage because they were covered under their spouse's policy through another firm. However, due to one death and one divorce, the business owners were no longer going to be covered by the spouse's policy, and both were considering offering company sponsored coverage in the future.

**Employers understand they are taking a risk:** Although the respondents do not offer health insurance, they indicated that they understood the importance of health care coverage, and that they are taking a risk by not offering it. In the words of one respondent: "If I have an accident I will be in big trouble." However, the financial risk of offering coverage is greater than the risk of not having health insurance. And as one respondent indicated: "so far I am healthy."

**Effect on the business:** Respondents indicated that in certain industries, such as trucking, construction or auto repair, it is not the industry standard to offer health insurance. Therefore, the decision to not offer health insurance has little effect on their business. One of these respondents indicated that they have little difficulty hiring single men as employees, but that employees "leave when they have kids" since they look for employment that offers health benefits for their children. As described above, some employees do not understand the value of health insurance and would rather have the value of a health care policy in salary rather than health care coverage as a benefit. One respondent indicated that they have not pushed for company growth since they feel they should offer health care coverage if they hire additional employees.

**Ideas about other health insurance options:** Respondents were sophisticated in offering ideas about affordable alternative health insurance options. One employer indicated that “the private sector has been scared out of Massachusetts by mandated benefits. There used to be so-called 80/20 plans but these carriers have all left Massachusetts.” He would be interested in a low cost indemnity insurance plan if it became available again. Another respondent indicated that she would like to see “a tax write-off for people who take care of themselves.” Six of the respondents indicated that they would seriously consider purchasing a bare bones insurance policy that costs roughly \$100 per month.

## **Summary**

Among this sample of small employers who do not offer health insurance, interviews revealed that employees often have coverage through other sources. Employers were knowledgeable about issues related to health insurance and understand they are taking a risk by not having health insurance. In addition, employers report that not offering health insurance does impact some business decisions. However, the cost of purchasing coverage outweighs these risks. An interesting result is that small employers are creative in finding solutions to the problem of employee health care coverage. Strategies that employers use to obtain coverage for their employees are as varied as their values, job sector, health and work status, and income. These results suggest that there is not one solution to the problem of how to extend health care coverage to employees of small businesses.

**APPENDIX A**  
**Focus Group/Interview Guide**  
**Employers Not Offering Health Insurance**

1. Contact Information
  - Name of Contact Person
  - Name of Employer
  - Address
  - Telephone
  - Email
  - Position in company – Owner vs. Employee
  - Family owned company? If so how many employees are family members?
  
2. How many individuals does your company employ at this site? Does this company have other sites? If so, how many? How many company employees are there all together?
  
3. What type of work does your company do (If not evident from name)? What is the educational/skill level of your employees?
  
4. Do you (the owner) have health insurance from another source such as a public program or spouse? What about your employees?
  
5. If you know they don't, where do they obtain care when they need it? Do you know if they apply for free care or pay out of pocket? What about for yourself?
  
6. Do you know whether your employees want health insurance from you?
  
7. Has your company ever offered health insurance? If yes, why did you stop offering health insurance?

8. If no, have you ever considered offering health insurance? Why did you decide not to offer coverage?
  
9. What options are available to you for offering health insurance currently – groups you could buy through? Individual coverage?
  
10. Could you afford to pay \$100/month for a package that offers your employees the following benefits?
  - Hospital deductible of \$250 per stay
  - 15 MH visits per year
  - 15 OP MD visits
  - Limited pharmacy (3 prescriptions per month, 50% co-pay)
  - 20% co insurance for all OP services
  - Cap OOP expenses at 5% of income

(limited physician and pharmacy coverage)
  
11. Do you think your currently uninsured employees could/would pay some of the premium and some cost sharing for this basic health insurance package? (that is, not those currently covered by a spouse.)
  
12. How does health insurance affect your hiring practices? How do you analyze the trade-offs between the expense and benefits of offering health insurance? Do you see any benefit to offering health insurance? What would the effect on your business be if you were required to pay a per employee fee of let's say \$100 earmarked to a health insurance fund?
  
13. Have you had experiences with your business or employees that have affected your point of view on the issue of whether to offer health insurance? For example, have you had an employee whose personal situation made you decide not to offer coverage?

## **APPENDIX B**

### **Interview Results**

#### **1. Auto Repair Company: Worcester County**

A husband and wife own this auto repair business. They have five employees: the couple, their adult son, a fulltime male and a part time male. The couple buys their own non-group policy, which they purchase independently (not through the company.) The adult son buys his own non-group policy. The full time worker is covered under his wife's employer's policy; the wife went back to work to get health insurance for the family. The part-time worker is covered under his other employer's policy.

“Health insurance costs are annihilating us.” Their family policy costs \$12,000 per year. There is a \$2400 deductible and \$350 co-pay for an ER visit. The son's individual policy costs \$250 per month.

The company did offer health insurance at one time. A decade ago, they covered 75% of the premium costs, and over time they cut back to 50%, and then to 25% and then finally stopped offering coverage all together.

The lack of health insurance hurts their hiring practices. Many of the people who work in the auto repair industry are young men who are not especially well educated. If they get married and have children, they need health insurance. Often their wife has to work if they are going to have access to affordable coverage.

The business is difficult, in that there is high turnover and absenteeism, and it is hard to find and retain good workers.

If there were a low cost, low benefit health insurance option they would “grab it.”

## **2. Insurance Agency: Essex County**

The respondent has owned his own insurance agency for more than a decade, after having worked for years for another, larger insurance agency. He now has 3 full time employees including himself. Two of the employees (including the owner) are covered under spousal coverage and one is uninsured. The uninsured employee is a 29-year-old healthy male.

The owner is covered under his wife's COBRA coverage. He pays \$925 a quarter for coverage that includes an annual physical, \$12 co-pay for primary and preventive care, and \$10 co-pay for dental care.

He is beginning to investigate coverage options for the future. He expects that he will end up covering administrative costs of health insurance through the business.

The respondent believes that the private health insurance sector has been "scared out of Massachusetts by mandated benefits." There used to be so-called 80/20 plans, but these carriers have all left Massachusetts. He remembers the days when individuals could purchase "catastrophic coverage." He said that he would be interested in a policy like this going forward. He believes that health insurers get a "bad rap." The problem is that health care costs are rising so rapidly that it is difficult for carriers to keep up.

He is researching coverage now because he wants to get the new coverage lined up before his COBRA coverage expires. He does not want to be caught with any pre-existing condition problems. He also wants to have time for his business to plan to absorb this large expense.

Some of the options he is investigating include a group plan begin offered by a professional association of which he is a member. He is not going to enroll in a non-group individual plan since he is not willing to "give up the things" he will "have to give up to pay for it." He wants to be able to offer a good plan and he thinks the best strategy is to offer the coverage through the business, since the business can cover the expense and the price may be less.

He said that one problem is that employees do not really value health insurance the way they value cash. He gave an example of an employee that he had in his previous firm. The firm decided to increase the employer contribution for health insurance coverage to 100% from 50%, and to give employees a modest raise in salary. The employee nearly left the firm because she was so insulted by the offer. She wanted to have the salary increase instead.

This problem is squeezing middle class families. Families who save a lump sum with the idea that they can use the savings to pay for health care costs do not really understand how much health care can really cost. Also, young people do not understand that they may need health care coverage for unforeseen illness.

### **3. Psychologist Office: Berkshire County**

This is a small company that employs psychotherapists. The company employs one full time and one part time therapist, in addition to the owner, and the business manager. There are no other locations or employees. The business is not a family owned company.

All employees, except the business manager, have health insurance through their spouse. The business manager pays for health care when she needs it, but usually she just does not go to the doctor.

The company has discussed whether to get health insurance in the past, and the owner knows that the business manager would like to have health care coverage. According to the manager, health insurance “is not something they think about.” The owners are “wrapped up in the business.” Health insurance is “too much to think about.” “They don’t get it.” The business manager has decided to leave the company to look for a job that has health insurance benefits.

The owners will then likely subcontract out for the services that the manager provides – bookkeeping, etc.

If a low cost health insurance option were available for purchase in Massachusetts, this employer would likely not buy into it. It is too difficult to set aside the money for health care coverage when there are so many other expenses to cover. The cost of individual coverage would be \$250/month if the manager were to purchase coverage for herself, and that amount gets “pushed to the side” when she pays her bills each month. She would rather work at an employer where the premium costs are taken out of her paycheck before she sees the money.

The company’s practices may be impacted in the future because one of the principals is getting divorced, and will no longer be covered by the spouse’s policy.

#### **4. Sub Shop: Middlesex County**

A husband and wife own this small family business. They have one employee – a sister in law - who is covered under another policy.

The couple has two children – one who has just graduated from college, is now working and is covered under an employer based policy. The other child is in college and is covered under a college sponsored plan.

She previously purchased health care coverage through an indemnity plan. However, when they went to the hospital, expecting that they would be covered, they found they still had high expenses. “They [the insurance company] pay nothing.”

They decided health care coverage was not worth the cost of the plan when it did not meet their needs. So they stopped buying the plan.

Since that time, her husband has gone on disability and is covered through “the government.” So, the wife is the only member of the family without health care coverage. She does go to the doctor, and pays out of pocket for “small things” like tests and mammograms. “So far I am healthy.” She just hopes that she remains healthy and doesn’t need more health care. She does not know what she will do if she needs more health care.

She would be interested in learning more about a low cost insurance plan. She could afford about \$100 per month for coverage for herself. She probably would not be able to afford more than that, and her decision about how much to spend for coverage would be dependent on how well the business is doing. Right now, the business is not doing very well.

## **5. High Tech Consulting: Worcester County**

This is a two person family owned high tech company: One person only works at the company and her spouse works part time at the company and full time at another location. The family has health insurance coverage through the spouse's employer.

They have discussed the possibility of expanding the company and hiring one or more employees. A consideration in this decision making process is the need to offer health insurance. Also, if the spouse stopped working at the other position, they would need to deal with the issue of health insurance – for themselves.

Issues of health insurance coverage have definitely been a factor in their decision to not expand yet.

They would consider a low cost low benefit plan if they do need to offer their own coverage to an employee.

## **6. Trucking Company: Worcester County**

A husband and wife who have been uninsured for the last four years own this trucking company. She is 53 and he is 50. Both are in good health, although he has asthma.

The trucking company has only these two family members as employees. They established the company 5 years ago, and were covered under a health insurance policy for the first year they owned the company. They had set aside \$10,000 to cover the costs of health insurance. Within one year, they had spent \$9,000 of this “slush fund” on premiums. During the same time period, she and her husband had been to the doctor one time each.

At this time, they decided that they would never “get ahead” in their business because of the costs of health insurance. They had \$1,000 left in their fund, and they felt they had overpaid for what they had gotten in return.

She called her doctor, a family practice physician, and asked “How much would it cost to see you if I really need you?” The price of a routine visit was \$35. So, they decided to drop their insurance. The couple now has a yearly physical each – the costs are about \$125 each. She recently had a colonoscopy. The cost of the specialist was \$85, and she paid on a sliding fee scale at the hospital where the procedure was done. She also researched where she could get a mammogram, and found a hospital that offered the test for \$50. So, she has a mammogram every year. Their prescription costs are \$21/month for her and \$18 four times a year for him.

The family has a slush fund for health care costs, and pays for primary care costs out of this fund. She knows other businesses that follow this model of setting aside some funds to cover health emergencies. If you need to be hospitalized, you can negotiate with the hospital about the price of the stay, given the funds you have available. If you pay up front for insurance for this type of hospitalization, your business will never get ahead.

She sees herself as a sophisticated consumer. She and her husband try to take care of themselves, eat well, etc. She sees a chiropractor and practices her own type of holistic medicine. She would like to see a tax write-off for people who take care of themselves and have low health care costs.

She has had extensive experiences with the health care system because her second child has special health care needs. The daughter is now 24. She was covered under their family coverage until she was 19. This was a policy that was offered through their previous employer (i.e. before they established their own company.) The daughter is pretty functional, although she does not live independently. She does work and she has taken some college level classes. The daughter is now covered by MassHealth through SSI.

They have thought of hiring additional staff. However, their business is high risk, and it is hard to find people who will maintain the quality of work that they want to offer. If they were to hire someone, they would pay the person cash, with no benefits. This is the standard in the industry.

She would think about enrolling in a lower cost, lower benefit health insurance plan. The decision would be made by weighing how much the total cost is, and how much she is likely to spend on health care in a given year.

## **7. Musical Instrument Repair: Worcester County**

This small company employs the owner and one other person. The owner has just recently enrolled in MassHealth and his employee is covered by his wife's policy.

He has never offered health insurance through his company. The cost has been prohibitive. He would like to be able to offer health insurance, and he has investigated this possibility several times. Over the long term he would like to be able to offer coverage, but the pricing just has made it impossible so far.

He does not have a lot of employee turnover in his company, because the work is so specialized.

He is currently 42 years old and has not had a great need for health care. Although he reported that he is on MassHealth, before he became eligible for MassHealth, when he needed health care, he paid for it himself.

He feels that he saved a lot of money by not having health insurance. He understands that he was taking a risk. "If I had an accident I would be in big trouble."

## **8. Construction: Worcester County**

This construction company employs at various times from 3 to 5 people. Two of the employees are family members, but the company is not family owned.

The owner does not currently offer health insurance to his employees. He is covered through a family policy through his wife's employer. His employees often obtain coverage through their wives, and he suggested that many of his employee's wives have obtained part time jobs just to get health care coverage.

The cost of health insurance is prohibitive, at \$300 / month for individual coverage and at least \$500/month for family coverage. When these costs are added to worker's compensation, taxes and other expenses, it is not worth it to pay for health care coverage.

He does have employees who are currently uninsured. If these employees need expensive health care, he pays for their health care out of pocket. This does not happen too often, but he has covered these costs in the past.

Also, he has offered his employees health care coverage in the past. He has offered to allow employees to get insurance through the company – the company would pay a minimal amount (one or two dollars), and the employees would pay the rest. But employees would rather have the salary.

He recommends that a health insurance pool be established for construction companies, in which construction companies pay into a fund to purchase group health insurance. He would prefer this type of model to a low cost bare benefit package.

## **9. Investor Consultation: Plymouth County**

The respondent is the firm's only employee. He previously worked at a bank for 35 years. When the bank was taken over a few years ago, he was offered a severance package and decided to take it. The severance arrangement included health insurance coverage.

So, he was covered by his ongoing health care policy when he left the bank. The package expired last July. In the meantime, he had turned 65 and thus became Medicare eligible. Upon expiration of the severance package, he purchased a supplemental Medicare policy to remain fully covered.

He would not "go without health insurance." If he did not have the severance package he would have "reached out" to purchase coverage. He thinks that a scaled down health care coverage package would be attractive to small business owners, if they needed/wanted health care coverage.

He believes that small businesses have a variety of different strategies for accessing coverage, including spousal coverage.

## **10. Construction Company that offers coverage: Middlesex County**

This construction company has about 10 employees. In the past, the owner has purchased health and dental insurance through a trade organization. Many trade organizations offer this service, such as The Builder's Association of Greater Boston or The National Association of Remodeling Industry. These plans are not great plans since they do not offer extensive coverage. And, his employees mostly need emergency coverage, which is not usually well covered in these types of plans.

He eventually started to look into other policies. He learned that with his current health plan, you are considered a group plan when you have ten employees, and so he switched to this plan. The company pays 50% of the premium and the employee has 50% deducted from his/her paycheck. Right now, family coverage is \$1020/month and individual coverage is about \$250. He thinks individual coverage is a good deal compared to family coverage – just look at the price differences. The health plan has suggested to him that his employees be asked to pay at least 50% of the premium, and also asks that all employees sign up for coverage.

He offers health coverage as a separate benefit. He does not want to get into negotiating pay levels based on how much health care coverage an employee wants, in part because of the difference in costs between individual coverage and family coverage. He does not want to have to change salaries based on marriage and divorce. So – he has a separate account to pay the 50% of the premium, and his employees can take it or leave it. Most of his employees take coverage, and this amounts to about 10-12% of his payroll. His health insurance costs have been stable, even when he had one employee with leukemia – this employee's costs were \$2M for treatment of the leukemia. At that time the company's premium did not go up as a result. However, this year, premium costs went up 25%, but he believes currently, everyone is adapting to these huge cost increases.

He has had to learn all this information and figure out strategies around health care coverage on his own. This is a complicated system and there is a lot to learn. He is creative with his employees. For example, for one employee, he pays 50% of the premium and the employee's wife's employer pays the other 50%.

The idea of a bare bones plan will not work. People will not sign up for it. It would be better to mandate that employers offer coverage, and focus on keeping health care costs down. Most small builders do not offer coverage because the work is low cost and they cannot afford coverage. These companies are just getting by and there is nothing extra for health care coverage. He offers coverage because his family needs it and because he thinks it is the responsible thing to do as an employer. There is a trend toward subcontracting with smaller companies for specialized services rather than hiring additional staff. But, he thinks he retains employees longer because he offers coverage. Single guys make different decisions than people who have kids. If you have employees with kids, you might as well offer coverage.

Another major issue for him has been figuring out how to manage the administration of health care coverage. When he offered an indemnity plan, he had to do the management of the plan himself – i.e. checking claims, etc. With Tufts, he does not see any paperwork, and the plan offers a large provider network.