

**Nebraska State Planning Grant to
Expand Health Insurance Coverage**

Interim Report

Submitted to

**Health Resources and Services Administration (HRSA)
U. S. Department of Health and Human Services**

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Executive Summary

In the first State Planning Grant, a survey of households and employers was conducted. The findings from these surveys were then supplemented with extensive focus group interviews to develop several state policy options for reducing the number of uninsured. This project attempted to build on the information and policy options that were developed in the initial grant.

The main goals of this project are:

- I. Reconvene the Nebraska Health Insurance Policy Coalition to preserve continuity and provide oversight for the project.
- II. Collect and analyze quantitative data from small employers, employees, insurance brokers, and health care providers.
- III. Refine and develop policy options that expand insurance coverage in the small group market.
- IV. Generate and submit a final report to the Governor, the State Legislature, and the Secretary of the U. S. Department of Health and Human Services.

Summary of Activities

The Nebraska Health Insurance Policy Coalition was reconvened last fall and continues to meet on a periodic basis. The Coalition has met to review the surveys that were sent to small employers and employees who work for small employers. They have also reviewed and discussed the survey results and begun to evaluate potential policy options for reducing the number of uninsured. These options have mainly focused on developing new insurance products and realigning incentives in the small employer market.

In this project, a mail survey was sent to a random sample of small employers in both rural and urban areas of the state. Survey information was also collected through telephone interviews from employees who work for small employers. The purpose of the surveys is to determine the cost and the types of insurance policies both small employers and employees would find attractive. Based on this information, it should be possible to identify the gap between the prices of insurance plans that are currently available and the prices that are perceived to be affordable by small employers.

The preliminary results of the surveys indicate that:

- The maximum monthly premium a business or employee is willing to contribute is generally higher for the small businesses that currently offer health benefits than those who do not offer.
- The majority of non-offering businesses reported that they would most likely offer a PPO/POS if they were to offer health insurance to employees. This is the same plan type that is most commonly offered by businesses that offer health insurance to their employees.

- For businesses that do not offer health insurance, employee-only coverage is the option most likely to be offered if they decided to offer insurance. This is the same option most commonly offered by businesses that currently provide health insurance to employees.
- The businesses that do not offer health benefits are more likely to increase the cost-sharing of their employees than to place restrictions on employees' health services use, if needed to keep the cost of health insurance down.
- The median coverage take-up rate for the employees of businesses that currently offer health insurance was 80 percent.

Policy Options

The Coalition is now in the process of developing policy options. One of the options is to work with insurers that sell in the small group market to offer insurance products that could meet the needs of small employers and their employees. The Coalition is interested in more flexible insurance products but not limited benefit plans. They are also exploring the feasibility of discounted fees from insurance brokers and larger hospitals in exchange for lower uncompensated care costs. Other policy options under consideration include premium assistance and reinsurance programs.

Final Report

A final report that contains recommendations will be prepared by the end of February 2007. This report will be submitted to the Governor, the State Legislature, and the U. S. Department of Health and Human Services.

Section 1: Uninsured Individuals and Families

The information contained in the August 2005 Final State Planning Grant Report is still applicable and there is no new information to report at this time.

Section 2: Employer-Based Coverage

A survey of over 9,000 employers was conducted in 2004 by the Nebraska Department of Labor. The results of the survey revealed that small employers are considerably less likely to offer health insurance coverage to their employees. For example, over 98 percent of employers with 100 or more employees offered health insurance as compared to 48 percent of those employers with less than four employees. The average for all employers was 66 percent. The survey also found that when the percentages were compared, there were only minor variations in the number of employers offering health insurance plans by geographic regions. Finally, the survey results showed that about 20 percent of the employers who currently offer coverage may stop offering coverage if the cost of employee coverage continues to increase at current rates.

From the employees perspective, the results of the 2004 Nebraska household survey conducted by the Nebraska Center for Rural Health Research at the University of Nebraska Medical Center indicated that the vast majority of the uninsured are employed and working for a small employer or are self-employed. However, even if insurance coverage is made available, many employees who work for small employers choose not to purchase the coverage. The main reason some employees do not “take up” the offer is because the health insurance policies are perceived as being too costly.

Purpose of the Current Surveys

Although valuable information was collected from both the household and employer surveys in the initial State Planning Grant, more complete information is needed to determine the cost and the types of insurance policies small employers may find attractive. For those small employers that do not make health insurance available to their employees, it is essential to learn what their willingness is to do so. In addition, it is important to determine what the employees’ willingness is to participate in employer-sponsored insurance coverage based upon what the employees perceive as acceptable costs and benefits. Given the costs and benefits provided by the current products on the market, the goal is to identify the gap between the prices set by insurance companies and the prices perceived affordable by small employers and their employees. This price gap information will be useful in the development of feasible health insurance products, which in turn should help to reduce the number of uninsured persons in Nebraska.

Methods

A panel consisting of representatives from the major insurance companies in Nebraska that sell health insurance policies in the small group market was formed in February of 2006. Information about the current health insurance products available to the target population (i.e., employees who work for small firms with fewer than 50 employees) was collected from the panel members.

This information, along with the panel's other insights, was used to develop a separate survey for small employers and another survey for employees who work for small employers.

The Nebraska Center for Rural Health Research (NCRHR) at the University of Nebraska Medical Center conducted both the employer and household surveys in each of the three identified market areas within the State. The three identified market areas are:

- The tri-cities area consisting of six central Nebraska rural counties and the communities of Grand Island, Kearney, and Hastings. Each of these communities has between 20,000 and 45,000 people with each community being the location of a major referral center.
- The Lincoln metropolitan area and ten contiguous rural counties. The Lincoln area has about 250,000 people and is home to two large referral centers.
- The eleven county Panhandle region of the state which is a remote rural area with one referral center.

The initial mailing in each of the two rural areas was to 150 employers, and the initial mailing in the Lincoln area was to 300 employers. After three follow-up contacts, there was a 26 percent response rate. Information from employees was obtained through a household survey using random digit dialing and screening questions to interview only persons in households where the principal wage earner was employed by a firm with fewer than 50 employees. The questions were pre-tested with various scenarios to solicit this information and questions that were more general to determine which approach would work best. The survey instrument is about ten minutes in total length and so far there have been 280 completed interviews. This survey should be completed by October 15.

For small employers that currently offer coverage, the survey questions covered the following topics:

1. The types of plans currently offered and the benefits covered.
2. The cost of the policies.
3. The cost sharing arrangements of employees.
4. The employee "take-up" rates.
5. The claims experience, including the percentage of "high" cost claims.
6. The likelihood of offering insurance coverage in future years.
7. The price threshold beyond which the employer will not offer coverage.

For employers who do not offer coverage, the survey questions asked whether they have an interest in making insurance coverage available to their employees, and, if so, what are the acceptable range of premiums and benefit packages. For employees who work for small firms, questions were asked regarding what types of benefits they would like to have in an insurance product (in terms of benefits covered, deductibles, and coinsurance) and approximately how much they would be willing to pay for those benefits. The cost and benefit information about currently available health insurance products provided by the panel of insurance company representatives was incorporated into both employer and employee survey questionnaires, so the gap between the market prices and affordable prices could be identified through the survey results.

Preliminary Results of the Surveys

- The maximum monthly premium a business or employee is willing to contribute is generally higher for the small businesses that currently offer health benefits than those who do not offer.
- Businesses reported that they thought the largest negative impact of not offering health benefits to employees was on employee recruitment. Likewise, the largest positive impact of offering health benefits was believed to be on employee recruitment.
- The majority of non-offering businesses reported that they would most likely offer a PPO/POS if they were to offer health insurance to employees. This is the same plan type that is most commonly offered by businesses that offer health insurance to their employees.
- For businesses that do not offer health insurance, employee-only coverage is the option most likely to be offered if they decided to offer insurance. This is the same option most commonly offered by businesses that currently provide health insurance to employees.
- The businesses that do not offer health benefits are more likely to increase the cost-sharing of their employees than to place restrictions on employees' health services use, if needed to keep the cost of health insurance down.
- The change that most businesses who currently offer health benefits have made in the last five years or are likely to make in the next year is to increase the business' contribution to premiums.
- The median coverage take-up rate for the employees of businesses that currently offer health insurance was 80 percent.
- Twenty-one percent (19 out of 89) of businesses that currently do not offer health benefits are at least somewhat likely to offer health benefits to their employees in the next two years; 16 percent (9 out of 56) of businesses that currently offer health benefits are at least somewhat likely to discontinue such benefits in the next year.

Section 3: Health Care Marketplace

No significant changes have occurred since the submission of the Final Report in August 2005.

Section 4: Options for Expanding Coverage

The Nebraska Health Insurance Policy Coalition continues to assess the policy options that are under consideration or being implemented in other states. Recently, a paper was prepared that summarized some of the major developments underway. For example, the comprehensive efforts in Massachusetts and Vermont were reviewed as well as single focus initiatives (e.g., children) in Illinois and Pennsylvania. The report also identified the strategies that target small employers and people with low-incomes such as Tennessee, Rhode Island, and West Virginia. The final section examined some of the major changes in state Medicaid programs. These changes include premium assistance programs (e.g., Oklahoma), defined contributions (e.g., Florida), tiered benefits (e.g., Kentucky) and limited benefits (e.g., Arkansas).

In addition to reviewing programs in other states, the Coalition and representatives from insurance companies who are major sellers in the small group market have reviewed the

preliminary results of the small employer and employee surveys. The goal is to use the survey findings to assess the feasibility of developing new insurance products that better meet the needs and affordability of small employers and their employees. Because the survey results have only recently become available, the assessment process is in the early stages.

Even if additional insurance products are offered by insurers, it is anticipated that a gap will still exist between the insurance product prices and the ability of small employers and employees to purchase the products. Therefore, other options will be considered, including discounts from health care providers, discounts from insurance brokers, and government subsidized programs such as premium assistance, reinsurance, and insurance pooling arrangements.

Section 5: Consensus Building Strategy

Not applicable at this time.

Section 6: Lessons Learned and Recommendations to States

Not applicable at this time.

Section 7: Recommendations to the Federal Government

Not applicable at this time.

Section 8: Overall Assessments of State Planning Grant Program Activity

Will be addressed in the final report.

APPENDIX III

State Planning Grant Summary of Policy Options

The policy options under consideration from Nebraska's two state planning grants are listed below along with the target population. At this point, no policy options have been implemented so some parts of the chart have not been completed.

Nebraska Policy Options

Option Considered	Target Population	Status of Approval	Status of Implementation	Number of People Served
1. Expand the number of community health centers	Low-income children and adults	Approved	Several planning meetings have occurred in eligible communities	
2. Expand the 340B drug discount program to all eligible providers	Low-income children and adults	Approved	All but one hospital is using the program	
3. Improve marketing and outreach efforts to enroll more children and adults who are eligible in the Medicaid and SCHIP Programs	Low-income children and adults	Approved	No new major efforts underway at this time	
4. Develop Disease Management Programs for Medicaid	Low-income children and adults with chronic conditions	Approved by the State Medicaid Council	Considering various options	
5. Join a multi-state purchasing pool to reduce Medicaid prescription drug costs	Low-income children and adults	Approved by the State Medicaid Council	Investigating potential options	
6. Expand Medicaid or SCHIP	Low-income children and adults			
7. Create a Premium Assistance Program	Low-income children and adults and employers with low wage earners			
8. Conduct a study to determine the feasibility of implementing a reinsurance program	Small employers and self-employed individuals			
9. Develop new insurance products to meet the needs of the small group market	Small employers and their employees			