# VIRGINIA SMALL BUSINESS HEALTH CARE DECISION MAKER FOCUS GROUPS

# FINAL REPORT

**Submitted to:**

**Virginia Health Reform Initiative Advisory Council**

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**July 27, 2011**

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# EXECUTIVE SUMMARY

## Objectives and Methodology

The overall objective of this research was to explore Virginia small business employers' awareness, understanding, and needs related to a Virginia Health Benefits Exchange (HBE) as mandated by the federal Patient Protection and Affordable Care Act (PPACA). The research was also conducted to provide input into the design of a quantitative study that will follow it.

In order to accomplish these objectives, Alan Newman Research (ANR) conducted eight focus groups with health insurance decision makers in Virginia small businesses - two apiece in Richmond, Roanoke, Northern Virginia (Fairfax), and Virginia Beach. The groups were conducted on June 21, 22, 28 and 29, 2011.

One group in each market included decision makers from companies that were already providing health care coverage to employees, while the other was comprised of decision makers who had investigated coverage within the past two years, but were not currently offering it to employees.

## Satisfaction with Current Health Insurance Benefits/Status

**Employer satisfaction.** Overall, participants whose companies offered health insurance reported high satisfaction. They took pride in providing employee coverage and were generally pleased with their coverage (although some felt they were getting less for their money than they once did). The majority of participants not currently offering health benefits reported low satisfaction, because they could not afford to offer health benefits to their employees and they wanted to. Whether they were currently offering health insurance benefits or not, participants said they were very dissatisfied and frustrated by the high cost of health insurance to small businesses, as well as the complexity of health insurance information and decision making.

**Employee satisfaction.** According to employers, employee satisfaction with health benefits was most affected by issues of cost and complexity. Participants who were paying most or all of their employees' premium costs believed their employees were quite satisfied with their benefits. Participants who were paying less towards premium costs and/or who offered high deductible, high-copay plans seemed less certain of their employees' satisfaction. Employers said that employees' satisfaction with their health insurance was diminished when they did not understand it, when the company provider changed, and/or when their premiums and/or out-of- pocket costs increased.

## Barriers to Providing Health Benefits

Across groups, participants described the following barriers to providing employee health benefits: cost, premium based on small rating pools, inconsistent employee participation, small business rates that are not much of an advantage over individual rates, and complexity of shopping for, selecting, and managing benefits.

## Virginia Insurance Market

Employers currently providing health benefits were asked to identify positive and negative aspects of the insurance market in Virginia.

**Positive:** Good coverage, good customer service, robust insurance provider web sites for managing benefits, several choices of insurance providers, coverage becomes available to "uninsurable" high risk people.

**Negative:** Cost, yearly premium increases, limited choice of providers, high premiums for small groups (due to health and age of individual workers), insurance providers not interested in small companies and/or companies with high risk employees, benefits are complicated to choose, administer, and explain to employees.

## Ideal Health Insurance Plan

Participants who were not currently offering employee health care described their view of an ideal health benefits package. Their preferred features were similar across markets and included the following: affordable premiums, no high deductibles, a good prescription plan, better rates for health improvements (e.g., lowered cholesterol levels, weight loss), vision and dental coverage, emphasis on and full coverage of preventive care

## Reactions to HBE Concept

**Overall.** With a very few exceptions, participants were unfamiliar with the HBE term or concept before their exposure to it in the focus groups. Participants' initial reactions to the HBE concept were typically a mix of interest, curiosity, confusion, suspicion, and uncertainty. They wanted to know more about the HBE, because they were very interested in anything that might reduce employee health benefits cost.

As the discussion progressed, participants across groups varied in how positively or negatively they felt about the HBE concept. Many were guardedly optimistic about the HBE. For some,

skepticism about the HBE's goals, origins, and/or viability made them reticent to express interest. A few were too confused by the concept to have an opinion.

No matter their level of understanding of the HBE concept, all participants perceived it as complex. All needed more information and explanation in order to fully understand what it would be and how it would affect them.

**HBE administration and structure. P**articipants wanted to know what entity would run the HBE. It was not clear to them whether the HBE would be state-run, privately operated, or organized in some other way. Some participants also had difficulty understanding how the HBE marketplace would be structured.

**Health insurance affordability.** Participants perceived that a goal of the HBE was to lower health insurance premium costs for small businesses. They believed that the creation of a larger insurance pool via the HBE could potentially lower their premiums. However, they questioned whether or not premiums would actually decrease, because of skepticism associated with the new federal health underwriting regulation (prohibiting health status underwriting) that was mentioned at the end of the HBE description.

**Access to health insurance.** Participants perceived that the HBE was intended to make insurance available to more uninsured people. Opinions were mixed about the importance of this goal. Some participants were quite supportive of it, while others felt such a goal was outside the scope of what government should promote.

**HBE: for consumers and small businesses.** Participants tended to focus on the fact that the HBE was for *people who have never had private insurance before and may need subsidies.* For some, this phrase in the description caused them to overlook that the HBE was for small businesses too. The mention of *subsidies* made some participants wonder if the HBE was a social program. For some, this was quite negative.

**Role of government in HBE.** Participants perceived that the HBE was government-affiliated and wanted to know what the government's role in the HBE would be. In every group, there was concern that the HBE would require high administrative costs that would be paid for by taxpayers. Participants also had questions about how the HBE was related to Health Care Reform.

**Levels of coverage.** Participants who understood the concept of minimum levels of coverage in the HBE concept statement thought it was positive. However, the levels of coverage that would be available within the HBE were difficult for many participants to conceptualize.

**Employer requirements.** Participants wondered if the HBE would involve changes to their current approaches to buying insurance for their employees and/or new mandates for small businesses. In particular, they wanted to know if small business participation in the HBE was mandatory or voluntary.

## Health Benefits Exchange Features

Participants were asked to prioritize a list of nine features by choosing their *Top 3* most important features. The results of this prioritization were as follows:

1. Rank all qualified health plans by cost and quality and publish that ranking for all to see
2. Personal cost calculator, to estimate your out-of-pocket costs with each plan
3. Navigators to explain your options, with no financial interest in which plan you select
4. One-stop web site portal with comparison plan information
5. Set objective standards and then allow all plans that meet the standards to sell inside the HBE
6. Tax credit/subsidy/public program eligibility determination
7. Allow licensed producers -- agents and brokers -- to be Navigators in the HBE.
8. Toll-free hotline to answer questions
9. Screen all qualified health plans and pick a select few that will be allowed to sell inside the HBE

## HBE Governing Board

**Overall view of HBE board composition.** Overall, participants envisioned the HBE board as a group of individuals associated with health care and health insurance, who would represent various perspectives from those fields.

- Across groups, participants saw the HBE board as primarily comprised of small businesses, consumers ("ordinary people") and consumer organization representatives, likely with a non-dominant presence of large employers as well.

- The inclusion of insurance, hospital, and drug company executives, as well as elected and appointed state officials, were the subject of disagreement and debate across groups.

## Final Disposition

Despite negativity, skepticism, and many questions about the specifics of the concept, a majority of participants was at least curious about the HBE and wanted to know more about it.

There were significant doubts about the HBE, particularly because it was government-affiliated and related to Health Care Reform.

However, across groups, it seemed that among even some of the most skeptical of participants, there was a willingness to investigate the HBE for the possibility of lower premiums. Participants were frustrated and financially stressed by health insurance costs, which made them more willing to explore any avenue of relief.

## Conclusions

Health insurance is both a practical and emotional issue for small business decision makers, who feel caught between the desire to provide their valued employees with a coverage opportunity, and the increasing cost and complexity of health benefits.

While satisfaction with insurance coverage tends to be high for those offering benefits, decision makers across all groups reporting being dissatisfied with the cost and complexity associated with health insurance.

The vast majority of participants had a working knowledge of health insurance topics, was not especially well informed about Health Care Reform, and had some difficulty grasping the HBE concept.

It was difficult for participants across groups to determine what, exactly, the goals of the HBE will be.

It is likely that it will be challenging to communicate about the HBE to small business decision makers. In general, small business decision makers find health insurance information and decision making to be confusing and difficult. Moreover, they are also confused by, and uncertain about, the new Health Care Reform laws.

In considering how the HBE should be operated, small business decision makers particularly valued the provision of informational "tools" with the potential to 1) simplify health insurance decision making and 2) increase their self-sufficiency regarding it.

In considering the composition of the HBE board, it was clear that decision makers across groups thought small business and consumers should be well represented and that their views and needs should never be overshadowed by corporate and government interests.

## INTRODUCTION: OBJECTIVES AND METHODOLOGY

This report summarizes the results of the qualitative phase of market research conducted by Alan Newman Research (ANR) on behalf of the Virginia Health Reform Initiative Advisory Council in June of 2011.

### Objectives

The overall objective of the research was to explore Virginia small business employers' awareness, understanding, and needs related to a Virginia Health Benefits Exchange (HBE) as mandated by the federal Patient Protection and Affordable Care Act (PPACA).

The qualitative research was also conducted to provide input to the design of the quantitative study that will follow it.

### Methodology

In order to accomplish these objectives, ANR conducted a total of eight focus groups with health insurance decision makers in Virginia small businesses - two apiece in four Virginia markets - Richmond, Roanoke, Northern Virginia (Fairfax), and Virginia Beach. The groups were conducted on June 21, 22, 28 and 29.

One group in each market included decision makers from companies that were already providing health care coverage to employees, while the other was comprised of decision makers who had investigated coverage within the past two years (e.g., requested quotes from brokers, conducted online research) but were not currently offering it to employees.

All group participants were sole or joint decision makers regarding health care benefits offered to their company's employees. All had been in their decision making role for at least two years. Participants' titles included *owner*, *co-owner*, *president*, *CEO*, and in a few instances, *secretary/treasurer* or *office manager*.

For the purposes of this research, a small business was defined as a business employing between two and 100 workers. A mix of company size was represented across groups. The vast majority of companies had 50 or fewer employees, although a few with more employees were included.

In the groups of employers currently offering benefits, companies represented typically had between 10 and 50 employees. In the groups of employers not offering benefits, companies represented were usually smaller; a majority had fewer than 10 employees.

The research configuration is summarized in the following table:

**Table1 Focus Group Research Configuration**

| Small Business Health Care Coverage Decision Makers | Richmond Groups | Roanoke Groups | Fairfax Groups | Virginia Beach Groups | Total Groups |
|---|---|---|---|---|---|
| **Currently Providing Health Insurance to Employees** | 1 | 1 | 1 | 1 | 4 |
| **Not Currently Providing Health Insurance to Employees (But Investigated Coverage within Past Two Years)** | 1 | 1 | 1 | 1 | 4 |
| **TOTALS** | 2 | 2 | 2 | 2 | 8 |

A total of 69 participants participated in the research. Groups represented a mix of age, gender, and ethnicity (Caucasian and African-American). All but a few participants had completed at least some college, and most had a college or post graduate education.

Groups began with a brief initial discussion of participants' attitudes and experiences regarding health care coverage for employees in their businesses. They rated their overall level of satisfaction with their current health care benefits situation, and then discussed their reasons for satisfaction/dissatisfaction. Employers offering benefits generated a list of perceived positive and negative aspects of the small business health insurance market in Virginia. Employers not offering benefits described how they would design the "ideal" health benefits package for their employees.

After indicating whether or not they had heard of the Health Benefits Exchange (HBE), all participants reviewed and discussed a client-provided description of the concept. They identified what they perceived as benefits of/drawbacks to the concept, as well as what they found confusing or unclear about it. Then, participants were asked to provide input into how the HBE should be operated in Virginia as well as what the composition of the HBE's governing board should be. They did so via the following tasks:

- Participants evaluated a list of possible attributes of the HBE and selected the ones that were most important to them. Then, they discussed the reasons for their prioritization.

- Participants reviewed a list of the types of people who could comprise the HBE's governing board, chose the ones they thought should be included (and excluded), and then discussed their reasons for their selections.

At the end of the groups, participants were asked to summarize their final response to the Health Benefit Exchange concept. They reported whether or not they believed the HBE will ultimately make health insurance more accessible to their businesses and the reasons for their viewpoints.

Participants also briefly discussed their employees' attitudes regarding out-of-pocket medical costs, and whether employees who declined employer-provided coverage would be more likely to purchase it if they had help (e.g., through special programs) with out-of-pocket costs. They also discussed their level of interest in wellness programs as an employee benefit, and if access to a free wellness program might be appealing for small businesses to offer to their employees.

Copies of the group discussion guide (which includes the HBE description, HBE features questionnaire and HBE board participation questionnaire) and the recruiting screener are contained in the Appendix of this report.

This report is intended as a summary of research findings. It is not intended to be a detailed reporting of session proceedings. The groups were audio recorded and readers interested in greater detail are strongly encouraged to review the recordings. When reading this report, it is important to remember that focus groups are a qualitative research method. Findings are not projectable to the population as a whole.

## SATISFACTION WITH CURRENT HEALTH INSURANCE BENEFITS/STATUS

Groups began with participants rating and discussing their level of satisfaction with their current health insurance situation (either providing health benefits or not providing them).

### Employer Satisfaction

Using a scale of 1 to 5, where 1 = *Not At All Satisfied* and 5 = *Very Satisfied*, participants rated their overall level of satisfaction with their company's current health care benefits situation. Then they discussed their reasons for their satisfaction/dissatisfaction.

**Employers Who Provided Health Benefits.** Among these participants, satisfaction with their current situation was high. All rated their satisfaction with their current situation a 3 or higher, with the vast majority rating it a 4.

- Employers providing health benefits said they took pride in offering health benefits and seemed to derive a sense of satisfaction from their ability to do so.
- Satisfaction with health care coverage was generally high, although several said they currently do not get as much coverage for their money as they did just a few years ago.
- In contrast, satisfaction with the cost of health care coverage was low - "I'm never satisfied with the cost" and "the cost is exorbitant – as a small business we are really overcharged." Also, participants were dissatisfied with the amount of time and level of complexity associated with making health insurance decisions.
- Although most participants across groups felt there were enough health insurance options in Virginia, a perceived lack of insurance provider choice was cause for diminished satisfaction for a few. This was particularly true in Virginia Beach.

**Employers Who Did Not Provide Health Benefits.** Among those participants representing companies that did not offer health benefits, satisfaction with this situation was low, with a majority of participants rating it a 1 or 2.

- Many of these participants were dissatisfied because, although they wished they could provide health benefits to their employees, the cost to their business was prohibitive. A Fairfax participant said, "Everyone here would like to have insurance plans, if it [the cost] was reasonable."

- A few were dissatisfied with not offering health benefits because it interfered with attraction and retention of good employees. A fitness consultant in Roanoke said, "It hurts when you've got quality employees and you can't offer it to them. I've got two awesome instructors leaving because I can't offer it."

- A few were dissatisfied because they wanted to offer benefits, but their employees were unreceptive. When they had offered benefits in the past or suggested offering them, many employees were not interested, due to premium costs.

- A little less than a third of those who did not offer health benefits reported medium (rating of 3) or high satisfaction (rating of 4 or 5) with their current health care situation. For them, health benefits were not a high priority in their businesses, for one or more of the following employee-driven reasons:

    - Their employees were currently covered through other sources (e.g., a spouse's or parent's policy).

    - When they had offered health benefits in the past, employees had either declined the coverage due to cost or because they were better/more affordably covered by their spouse's insurance.

    - When they had discussed the possibility of offering health benefits to their employees, employees were not receptive because of the premium costs.

    - They typically employed young, unskilled, and/or short-term employees who, in some cases, tended not to attach a high value to health insurance. For example, a Richmond owner of an irrigation and landscaping company said, "I'd like to offer it, but in my line of work, your employees do not stick around long."

- One or two who reported high satisfaction with not providing health benefits felt they were doing well just to manage the basic costs of doing business. For example, a Richmond restaurateur said, "We have such a slim margin of profit…we can't afford it [health insurance], so I am satisfied with not offering it."

**Employee Satisfaction**

Participants who offered health benefits were asked how employees would rate their insurance. Most believed that their employees were generally satisfied with it, although costs were always

an underlying source of discontent. According to employers, employee satisfaction with health benefits was most affected by issues of cost and complexity.

**Cost.** Perceived employee satisfaction seemed to vary according to the premium and out-of-pocket costs employees were required to pay.

- Participants who were paying most or all of their employees' premium costs believed their employees were quite satisfied with their benefits.

- Participants who were paying less towards premium costs and/or who offered high deductible, high-copay plans seemed less certain of their employees' satisfaction.

It was noted that employees tend to blame employers for increasing health benefits costs, even as employers do their best to make health benefits available to employees and affordable to the company.

A few also reported that, while employees were very cost conscious, they sometimes preferred less exposure to out-of-pocket costs (e.g., due to high deductibles) even if premiums were higher. One Richmond participant said, "We use a democratic process. We shop it every year, and we present that to the employees. It's a vote. They almost always go for the higher price plan because it has less out-of- pocket costs. They don't want the risk of the out-of-pocket."

**Complexity.** According to employers, employees were often confused by health insurance terminology and coverage rules and disliked changes to their insurance. They said employees' satisfaction with their health insurance was diminished when they did not understand it (e.g., due to confusing insurance terms and coverage rules), when the company provider changed, and/or when their premiums and/or out-of- pocket costs (copayments, deductibles) increased.

It was noted that a desire for simplicity and consistency made some employees willing to pay slightly higher premiums. According to one participant, "When we had the Health Savings Account, it was more complicated than the copay model – they chose the copay even though it was potentially more expensive." Another said, "We knew for the first time in the history of our company that we were not able to pay 100%. A broker submitted some policies that would be less money out of our employees' pockets [than the plan I chose]. But every single one of them stayed with what I chose."

## BARRIERS TO PROVIDING HEALTH BENEFITS

Participants currently offering health benefits, as well as those who do not, identified similar obstacles to providing coverage.

Across groups, participants described the following barriers to providing employee health benefits:

- **Cost.** The cost is high and typically escalates annually.

- **Premiums based on small rating pools.** Premiums are determined by the overall composition of the company's employee pool, which means that factors such as employees' major health problems, an aging workforce, and pregnancy/birth events cause significant premium increases.

- **Inconsistent employee participation.** Lack of employee participation in the health benefits (frequently due to cost) affects the rates a small company is offered. One Richmond employer said, "I did offer it, and then when the time came, they said they didn't want to pay it. I would like to offer it, but I can't because they have found other means."

- **Rates not well discounted.** Rates available to a small group do not seem to be reliably more competitive than if their employees were to shop in the individual marketplace.

- **Complexity.** Health insurance coverage is complicated and its management is time consuming, especially for small business people performing multiple functions in their companies.

For a number of participants who were currently offering benefits, one or more of these factors had caused them to change how they offered health care. For example, some employers who historically had paid 100 percent of employees' health benefit costs had recently started asking employees to contribute. Others moved to plans with lower premiums but very high deductibles, which they disliked. A few asked employees to shop for their own insurance, and then reimbursed them for part of the premium.

## VIRGINIA INSURANCE MARKET

Employers currently providing health benefits were asked to identify positive and negative aspects of the insurance market for small businesses in Virginia. Their responses did not reflect a broad understanding of the state insurance market overall, but rather, their personal experiences with administration of health benefits in a small business.

### Positive

- Most insurance companies provide coverage as promised.
- Some companies provide good customer service.
- Some companies offer robust, convenient web sites for employers and employees to manage plans.
- Some said there are a variety of insurance provider options – “There are a lot of sources out there” and “there were a number of folks we would talk with and who would provide us with proposals. We never felt like we were stuck with just two choices.”
- Coverage becomes available to high risk employees who otherwise would not be insurable or able to afford insurance in the individual market – “Most insurance will have to take someone who is high risk if they are in a group.”

### Negative

- Cost.
- Yearly, seemingly inevitable, premium increases – “I have no control over them.”
- Limited choice of providers.
- High premiums for small groups, which are rated according to the health and age of individual workers – “you pay so hugely for being so small.”
- Limited options because of age or health status of employees – i.e., some insurers will not consider a small company with “uninsurable” employees.
- Lack of insurer interest in small companies - “I’ve got 15 employees and I get no response. They just don’t want to deal with companies with just a few employees.”

- Complicated and time consuming to understand, shop, and choose plans.

- Difficult to explain insurance plans to employees.

- Perceived conflict of interest in Virginia Beach, where Sentara is both a medical facility and insurance (Optima) provider.

## IDEAL HEALTH INSURANCE PLAN

Participants who were not currently offering employee health insurance described their view of an ideal health insurance plan. Their preferred features were similar across markets and included the following:

- Affordable premiums that are lower than what employees could get in the individual marketplace.
- No high deductibles - "We have to take a $5000 per person deductible in order to get the cheapest rate."
- A good prescription plan.
- Better rates for health improvements (e.g., lowered cholesterol levels, weight loss).
- Vision and dental coverage.
- Emphasis on and full coverage of preventive care.

## HEALTH BENEFITS EXCHANGE CONCEPT EVALUATION

Participants were presented with the following description of the Health Benefits Exchange (HBE) concept. Based on participants' response to/confusion regarding the description, the original version was revised slightly after the first market (Richmond) for testing in the subsequent groups. The revised version is included here.

### Health Benefits Exchanges (HBE)

A Health Benefits Exchange (HBE) is perhaps best described as a new health insurance marketplace for individuals and for small groups such as your company. Any marketplace has two parts: (1) rules; and (2) people who enforce the rules. No marketplace works without both buyers and sellers willing to participate, so the rules must work for all.

The new federal law and forthcoming regulations set some of the rules for the new HBE and for existing insurance markets, but the Commonwealth of Virginia will have many choices to make, about both rules and people, to try and make insurance markets work better for its citizens. The new market will begin in 2014. Your views of Virginia's choices are important to policymakers, which is why we are conducting these focus groups.

The overarching goal of an HBE is to make this complex market more transparent, and to facilitate enrollment by people like you and your employees, as well as those who have never had private insurance before and may need subsidies to help pay for their insurance. Thus the HBE will be required to provide clear and objective information about your insurance choices in various ways:

1. Plan comparisons that highlight key features of insurance products available to you
2. A one-stop web-site "portal" that can determine your or your workers' eligibility for tax credit subsidies to buy private insurance through the HBE or to enroll in Medicaid or other public insurance (e.g., FAMIS)
3. A toll-free hotline to answer questions
4. A cost-calculator which estimates out-of-pocket liabilities for each plan
5. "Navigators" who will explain your options and facilitate enrollment, and who will have no financial stake in which plan you choose
6. A value ranking of health plan choices, based on premium, out-of-pocket costs, and the quality of care delivered by each plan's network of providers

The HBE is responsible for deciding which insurance plans can be offered in the exchange. A plan offered in the exchange will be required to meet one of four specific coverage levels (from less coverage to more coverage), and its coverage label will be clearly identified. Within that required structure of four coverage levels, insurers will have freedom and flexibility to design their plans. At the same time the HBE comes online in 2014, other federal insurance rules will go into effect in all insurance markets, both inside the HBE and outside:

1. Insurers can no longer deny coverage or charge people or firms higher premiums because of the health status of an individual, in other words, health status underwriting is outlawed.
2. All policies offered by insurers must cover "essential benefits" as defined by the federal government (later this year), and all polices must cover at least 60% of the cost of services that the average person can expect to incur.
3. If insurers choose to offer the same products both inside and outside the HBE, they must charge the same amount for each.
4. The market outside the HBE will continue to be served by knowledgeable and licensed producers, commonly known as brokers and agents, and they will continue to be paid for their services by competing insurers.

## Reactions to HBE Concept

**Overall.** With a very few exceptions, participants were not familiar with the HBE term or concept before their exposure to it in the focus groups. Participants' initial reactions to the HBE concept were typically a mix of interest, curiosity, confusion, suspicion, and uncertainty. They wanted to know more about the HBE because they were very interested in anything that might reduce employee health benefits costs.

Ultimately, participants across groups varied as to how positively or negatively they felt about the HBE concept. Many were guardedly optimistic about the HBE, but had questions, concerns, and negative responses to some of the description. For some, skepticism about the HBE's goals, origins, and/or viability made them reticent to express interest. A few were too confused by the concept to have an opinion about it.

In general, participants currently offering health care benefits were better able to understand the HBE concept than those not offering benefits, but they still had many questions about it. Among those not currently offering benefits, there were a few participants who were quite unsophisticated in their understanding of health insurance issues; for them, the HBE concept was especially difficult to understand.

Regardless of their level of understanding of the HBE concept, all participants perceived it as complex. All needed more information and explanation in order to fully understand what it would be and how it would affect them. In particular, they wanted specifics about how small business would interact with the HBE.

**HBE administration and structure.** Across groups, participants wanted to know what entity would run the HBE. It was not clear to them whether the HBE would be state-run, privately operated, or organized in some other way. A Virginia Beach participant asked, "Who is the HBE? Is it a group of insurance executives? The State of Virginia? The federal government?" Other questions included:

- Has the HBE been tried in other states?
- How will the HBE be funded?
- Will the HBE offer same coverage and premiums in all parts of Virginia?

Some participants also had difficulty understanding how the HBE marketplace would be structured. They did not easily understand that private companies would submit qualified plans to be sold inside the HBE, and that these could be companies operating in the marketplace now. A few seemed to assume, based on the description, that there would be a few, government administered "HBE plans" from which they could choose.

**Health insurance affordability.** With varying degrees of comprehension, participants perceived that a goal of the HBE was to lower health insurance premium costs for small businesses. They believed that the creation of a larger insurance pool via the HBE could potentially lower their premiums. However, they also questioned whether or not premiums would actually decrease, because of skepticism associated with the new federal health underwriting regulation (prohibiting health status underwriting) that was mentioned at the end of the HBE description.

- **Insurance pools.** Participants with higher comprehension of the HBE concept perceived that one of its main goals is to establish large insurance pools, in order to decrease premium costs (e.g., "Is this set up to get people into a category for a group rate?" and "I read this [the HBE description] as part of the pool issue. Now you are part of a larger pool"). The idea of creating larger pools was a positive for many, who were frustrated that their companies were rated according to their individual employees and "punished" for being small. It was believable to many that the creation of a larger pool could lower premiums.

- **Health status underwriting regulation.** A number of participants were pleased with the statement, *Insurers can no longer deny coverage or charge people or firms higher premiums because of the health status of an individual, in other words, health status underwriting is outlawed.* This regulation addressed a key challenge to providing employee benefits, since in small employee groups, rates escalate greatly according to individual health and preexisting conditions. However, there was also deep skepticism about the elimination of health status underwriting, which caused a number of participants to doubt the viability of the entire HBE concept.

  Concerns included the following:

  - Both inside and outside the HBE, the elimination of health status underwriting will result in higher premiums for all consumers – "It says you can't charge people any more because of their health status…Insurance companies are for profit companies. I see the premiums for everyone having to go up."

  - "All the sick people" will purchase insurance through the HBE which would render it unsustainable. Some believed that insurance companies might decline to participate in the HBE, leading to fewer health insurance options for small businesses.

    A Roanoke participant said, "I can't imagine how the insurance companies will stay in business when they have to insure the uninsurable…It can't be done if you want to stay in business." A Virginia Beach participant said, "No one can be denied, they

> will have to pay a certain percentage – those are things that you want - in a perfect world…But you can't just go to insurance companies and say 'you've got to do this,' but not do anything to control [hospital and physician charges]."

**Access to health insurance.** Participants perceived that the HBE is intended to make insurance available to more uninsured people (e.g., "By doing this, it's giving everyone at least the opportunity to participate in some sort of health plan. When this comes into effect, you do have the opportunity to participate").

Opinions were mixed about the importance of this goal. Some participants were quite supportive of it (they believed health care is a right and that insurance costs are the key barrier to access), while others felt such a goal was outside the scope of what government should promote.

Some were dubious that simply making insurance more available to the uninsured via the HBE will motivate many to buy it, whether on an individual basis or through an employer. This seemed to be due in part to their experiences with employees who had declined employer-provided insurance because of costs and/or lack of interest in it, even when the employer paid much or most of the premium. Illustrative comments included, "I don't think that the general population who don't have insurance will just start buying it at this time [when the HBE becomes available]." and "Why are we spending so much time on this when 50% of people don't understand or want insurance?"

**HBE: for consumers <u>and</u> small businesses.** Participants tended to focus on the fact that the HBE was described in the handout as for *people who have never had private insurance before and may need subsidies to help pay for their insurance.* For some, this phrase caused them to overlook the fact that the HBE was also for small businesses.

- The phrase *individuals who have never had private insurance before* and *may require subsidies…* made many participants wonder if the HBE is a social program (e.g., a government-funded health insurance program for low income population, "like Medicaid"). For some, this was quite negative and was a strong barrier to their acceptance of/interest in the HBE concept.

- Participants seemed to have difficulty envisioning how small businesses and currently uninsured private citizens would operate in the same insurance marketplace. They needed more specific information about how the HBE would be administered to both groups.

Due to language in the original HBE concept description, there was some confusion in the Richmond groups about the intended users of the HBE. A revision to the description helped to clarify for subsequent groups that the HBE was for small businesses as well as consumers.

However, the need for such a revision emphasized the importance of being very clear in communications about the HBE that it is for small business.

**Role of government in HBE.** Participants perceived that the HBE was government-affiliated and wanted to know what the government's role in the HBE would be.

- Some perceived that it might be a government insurance company - as one asked, "What is this? Is this a government-run new organization? Money goes into it through premiums, but it's a government insurance company?"

- In every group, there was concern that the HBE would require high administrative costs that would be paid for by taxpayers.

- There was significant suspicion among some participants as to the origin and intention of the HBE, which seemed to be rooted in their distrust of government/government interference in the free market. One Richmond participant declared, "Personally, I don't trust it."

- Participants also had questions about how the HBE was related to Health Care Reform – e.g., "Is this part of Obamacare?" Attitudes regarding its connection to Health Care Reform varied according to participants' opinions of the new law. However, regardless of participants' political views, it was evident that they were not sure how they/their small businesses would be affected by Health Care Reform, in general. For many, this was cause for anxiety.

- In a few groups, the moderator offered the broad explanation that the HBE might either be state-run, run by a quasi-governmental organization (e.g., a commission), or an independent non-profit organization – all of these with government oversight. Participants seemed most receptive to the idea of an independent non-profit organization, although there was not a lot of in-depth discussion about this topic.

**Levels of coverage.** Participants who understood the concept of minimum levels of coverage in the HBE concept statement thought it was positive – e.g., "Having different levels is important… and if you want more coverage you will pay more." However, the levels of coverage that would be available within the HBE were difficult for many participants to conceptualize.

- In the first version of the description (tested in Richmond only) the levels of coverage were described as follows: *The HBE is responsible for deciding which insurance plans can be offered in the exchange, and while insurers will have flexibility to design exactly how, <u>all of them must cover exactly 60%, 70%, 80%, or 90% of the expected costs of</u>*

*care, and these "actuarial values" must be made clear to you before you choose one to purchase.*

- Based on this statement, many did not understand that all plans sold in the HBE would be required to meet baseline levels of coverage. Instead, expression of the levels of coverage in terms of percentages - *60%, 70%, 80%, or 90%* - confused participants. It triggered irrelevant discussion about coverage of individual medical situations – "how is it determined whether they cover 60 or 90 percent [of a particular visit/procedure]" and plan specifics - "will my doctor be a part of that plan?"

- In the revised version, the levels of coverage were expressed as follows: *The HBE is responsible for deciding which insurance plans can be offered in the exchange. A plan offered in the exchange will be required to meet one of four specific coverage levels (from less coverage to more coverage), and its coverage label will be clearly identified. Within that required structure of four coverage levels, insurers will have freedom and flexibility to design their plans.*

- This revision, particularly the phrase *one of four specific coverage levels (from less coverage to more coverage)* aided comprehension overall, although the topic was still confusing to some participants. The phrase *coverage label* was unclear and seemed to contribute to their difficulty grasping this concept.

**Employer requirements.** Participants wondered if the HBE would involve changes to their current approaches to buying insurance for their employees and/or new mandates for small businesses. Their questions included the following:

- Will employers choose the plans that would be offered to employees, or would employees select their own plans?

- Will it be mandatory for all small businesses to participate in the HBE?

- Do employers have to cover all employees or can employees opt out as desired?

There was noticeable trepidation about "unknowns" regarding the HBE, and particularly about the possibility of new and potentially burdensome requirements for small businesses.

## HBE FEATURES PRIORITIZATION

Participants were provided with a questionnaire containing a list of nine possible aspects/features of the HBE and asked to select the ones that were of *High Importance* and *Low Importance* to them. Then, they individually selected the *Top 3* that were most important to them.

Participants frequently said during discussion that most or all of the features were important to include as part of the HBE. All of the listed features were marked *High Importance* by at least a third of all participants.

The results of their *High Importance* ratings and their *Top 3* prioritization are presented below, followed by a brief summary of *Low Importance* ratings and a discussion of three of the features in greater depth.

### HBE Features: *High Importance* Ratings and *Top 3* Prioritization

The HBE features are presented here according to the order of their overall prioritization across groups as *Top 3* preferred features. The frequency with which each feature was rated as of *High Importance* is noted as well.

**Rank all qualified health plans by cost and quality and publish that ranking for all to see**
*Top 3* choice of 47 of 69 participants
Designated as *High Importance* by 65 of the 69 total participants

- Participants were quite positive about having access to a ranking of health plans, which they believed would be a valuable tool for simplifying the insurance decision making process.

- There was strong interest in being able to view and make decisions based on both cost and quality information.

**Personal cost calculator, to estimate your out-of-pocket costs with each plan**
*Top 3* choice of 37 of 69 participants
Designated as *High Importance* by 64 of the 69 total participants

- This feature addressed what participants most wanted to know about insurance – e.g., “Cost – that is what everyone is looking for.” They reported being frustrated in the past by difficulty finding and comparing costs, even when working with brokers.

- Participants envisioned and appreciated that the calculator would help them determine and compare their insurance costs

- Participants envisioned that a cost calculator would afford them a degree of shopping independence - e.g., "I can see what I am buying and exactly what it is. Then I can do my own comparison."

- A few wondered if the calculator would account for individuals' unique health situations.

**Navigators to explain your options, with no financial interest in which plan you select**
*Top 3* choice of 35 of 69 participants
Designated as *High Importance* by 58 of the 69 total participants

- Participants made the assumption that the HBE would be complicated and that many would need assistance to navigate this new marketplace - "A lot of folks are going to need help. This is probably going to be quite complex." Therefore, most saw the navigator as very important aspect of the HBE's administration. A few found the term *navigator* to be confusing.

**One-stop web site portal with comparison plan information**
*Top 3* choice of 32 of 69 participants
Designated as *High Importance* by 61 of the 69 total participants

- Participants were positive about the web portal, which they saw as a place to go for easily accessible HBE information and plan comparison.

- Some also saw the portal as a means of self-sufficiency when purchasing within the HBE. They hoped it would be a robust tool that would allow them to avoid the toll-free hotline, and possibly to avoid working with an HBE navigator.

**Set objective standards and then allow all plans that meet the standards to sell inside the HBE**
*Top 3* choice of 23 of 69 participants
Designated as *High Importance* by 55 of the 69 total participants

- It was very important to participants that all qualified plans be included within the HBE, so that consumers can make their own decisions about which plan to purchase.

- The phrase *set objective standards* suggested greater ease of plan comparison, as well as a sense of security that all plans will meet minimum requirements.

**Tax credit/subsidy/public program eligibility determination**
*Top 3* choice of 17 of 69 participants
Designated as *High Importance* by 43 of the 69 participants across groups

- During the discussion, participants said they were interested in any kind of business tax credit for which they were eligible. Well over half of all participants said this feature was of *High Importance.*

- However, it was not as often prioritized among participants' *Top 3* features. The specifics about the tax credit were unclear, and for some, the phrase *public program eligibility determination* may have been a negative because it suggested an entitlement program.

**Allow licensed producers -- agents and brokers -- to be Navigators in the HBE**.
*Top 3* choice of 10 of 69 participants
Designated as *High Importance* by 24 of the 69 participants

- A number of participants were concerned that agents and brokers would inevitably bring bias (due to their affiliation with companies outside the HBE) when counseling buyers inside the HBE.

- However, several believed that knowledgeable agents and brokers would be important to include as navigators, and that it would be difficult to find other individuals who had comparable industry knowledge to be effective navigators.

**Toll-free hotline to answer questions**
*Top 3* choice of 6 of 69 participants
Designated as *High Importance* by 54 of the 69 total participants

- Participants who were not tech-savvy said they needed a toll-free hotline. One said, "I am not a computer person, so for me the toll-free hotline is very important."

- Participants who were comfortable with computers envisioned using the web portal first, and then calling the number if it became necessary. They assumed that situations would arise that required the attention of an HBE representative and that could not be addressed online.

- Participants stressed that the hotline must be staffed by live, well-informed HBE representatives.

- When pressed to choose their *Top 3* features, participants typically did not choose the toll-free hotline. However, it was considered to be of *High Importance* by a majority.

**Screen all qualified health plans and pick a select few that will be allowed to sell inside the HBE**
*Top 3* choice of 5 of 69 participants
Designated as *High Importance* by 31 of the 69 participants

- Participants strongly disliked the idea of an outside governing body deciding which health plans could be sold inside the HBE. They wanted to make their own choices among all qualified health plans.

- It was not clear why nearly half of participants initially rated this feature as of high importance. In discussion, most were quite negative about it.

**HBE Features: Low Importance**

Relatively few participants marked any of the HBE features as *Low Importance*. All but three of the features were marked *Low Importance* by only a fourth or fewer participants. The exceptions were as follows:

- **Allow licensed producers -- agents and brokers -- to be Navigators in the HBE** and **Screen all qualified health plans and pick a select few that will be allowed to sell inside the HBE** were both rated *Low Importance* by more than half of all participants across groups.

- **Tax credit/subsidy/public program eligibility determination** was rated *Low Importance* by a third of all participants across groups.

## Approaches to Determining HBE Plan Offerings

Participants were asked to discuss in greater depth the following two possible approaches to determining plan offerings inside the HBE.

- ***Set objective standards and then allow all plans that meet the standards to sell inside the HBE***

- ***Screen all qualified health plans and pick a select few that will be allowed to sell inside the HBE***

Participants almost universally preferred the idea of setting objective standards and then allowing all plans that meet them to sell within the HBE. They were quite resistant to the idea of limiting their plan options as well as to "someone else" deciding which plans would be valuable. They felt that if plans were selected by a small group, there was the potential for corruption – e.g., "Who picks and who's left out? [Will it be] someone knows someone? That to me smells bad."

Only a very few were receptive to pre-selection of plans by the HBE. They felt that limiting the number of plans from which to choose might simplify the "overwhelming" decision process of choosing a health plan.

## Brokers and Agents as Navigators

Participants were asked to discuss in greater depth their attitudes regarding using brokers and agents as navigators. It was clear that regardless of their acceptance of agent-navigators, all participants placed high importance on navigators' objectivity when providing counsel to buyers within the HBE.

- Roughly half of all participants were comfortable with the idea that agents and brokers could function as navigators. They believed that agents and brokers would bring knowledge, experience, and insurance certifications to the role, which would ultimately benefit the HBE customer. If well regulated, they felt that agents and brokers were likely to be more helpful and competent than navigators without prior industry experience. It was noted that by employing existing insurance professionals as navigators, training costs, and "a new bureaucracy" could be eliminated.

Many participants who were currently providing health benefits had relationships with brokers whom they appreciated and trusted. They could see the value of working with a version of this kind of individual inside the HBE.

- The other half of participants felt that agents and brokers who were currently selling insurance outside the HBE should not be HBE navigators. They felt that, since agents and brokers would have prior relationships with companies now selling inside the HBE, there was an inherent conflict of interest. There was significant skepticism that brokers and agents still selling outside the HBE could be unbiased in the navigator role as well. Even if agents and brokers had *no financial interest* in the plans selected inside the HBE, some believed they could benefit in other ways, such as through side deals with their insurance company contacts.

- It seemed that, for some participants, no amount of assurance would give them confidence in currently working agents' and brokers' objectivity as HBE navigators. However, there did seem to be receptivity across groups to navigators' being former insurance agents/brokers, who were no longer selling insurance outside the HBE.

- Across groups, questions repeatedly arose regarding how the navigators would be compensated. There was persistent concern that navigators represented more government jobs and additional cost to taxpayers.

## HBE GOVERNING BOARD

Participants were presented with a list of possible members of the HBE board from a variety of sectors, ranging from "ordinary people" to elected officials. They prioritized which parties should be included on the HBE board and discussed each one.

**Overview**

From this exercise the following themes emerged.

**Overall view of HBE board composition.** Overall, participants envisioned the HBE board as a group of individuals associated with health care and health insurance, who would represent various perspectives from those fields. These would include health care consumers as well as professionals associated with health care. Participants envisioned each member as having a consultative role for the other members according to his/her area of expertise, which would aid all members in HBE decision making.

- Across groups, participants saw the HBE board as primarily comprised of small businesses, consumers ("ordinary people") and consumer organization representatives, likely with a non-dominant presence of large employers as well.

- Physicians, nurses, health actuaries, and health economists were also seen by many as important to include.

- The inclusion of insurance, hospital, and drug company executives, as well as elected and appointed state officials elicited debate across groups. Participants could see compelling reasons to both include and not include them.

There was concern across groups that involving a wide variety of relevant parties would result in stalled decision making (i.e., "a stalemate") on the HBE board. One participant said, "You've got to have the input of all of these people, but how in the world [will it work]?" One participant suggested that all parties should provide input, but that not all should have a vote **-**"Every single person here needs to be heard, but not all are voteworthy. It's about collecting the viewpoints."

**Attitudes regarding business and political members.** It was important to participants that individuals with a business interest in the HBE (i.e., agents/brokers, drug company executives, hospital executives, insurance executives,) if included on the board, did not dominate it and were not present merely to advance their companies' financial interests. Many questioned whether or not this was possible. One participants aid, "Exclude all the executives, because they are top dog

and their whole goal is making money for the company and it's not in the best interest of ordinary people."

However, despite reservations, some felt that it was impossible to have an effective, representative HBE board <u>without</u> including key industry participants (e.g., insurance executives, agents and brokers). One participant said, "It's scary to put the insurance executives and brokers in there, as well as the drug companies and hospital executives…but these are the people who know the system and know what it takes in order to make it function."

Many participants were reluctant to include elected and appointed officials, because they generally perceived that political figures would impede HBE decision making and/or be influenced by outside interests. If officials are included, participants preferred the inclusion of elected officials (selected by the people) to that of appointed officials (appointed without public input).

## Board Membership Preference Details – Questionnaire Results

### Most Important to Include

Nearly all of the 69 participants said the following members were important to include on the HBE governing board:

- **Small employers.** All participants believed that small business, which would be directly impacted by the HBE, needed to be very well represented on the HBE board - "Small business should be <u>strongly</u> represented." Many felt that small employers should have the dominant presence.

- **Ordinary citizens/consumers.** Participants felt that consumers needed to be well represented on the board as well, because they were a target audience of the HBE and could provide perspectives on being an insurance end-user, patient, and working person "in the real world." It was important to participants that consumers' needs were not overshadowed by corporate interests (e.g., insurance companies, drug companies.).

Three quarters of the 69 participants saw the following as important to include:

- **Large employers (but not insurers or health providers).** A majority of participants believed that large employers needed to be part of the HBE board. However, this elicited debate across groups.

- Many felt that large employers would bring a valuable perspective to the board regarding working with/negotiating with insurance companies. Participants recognized that large employers had experience securing lower rates and better benefits for their large employee pools. One Richmond participant, who was a former CEO of a company with 5000 employees, said…"Having them [large employers] on there would be useful…It's a world of difference [to buy insurance for a company that size]."

- However, some felt that large employers should not be included, because the HBE was only for small businesses and individual consumers. Moreover, some felt that large employers were not relevant to the concerns of small businesses – e.g., "Large employers lose touch with what it is like to be a small company. What is expensive to me isn't expensive to them."

**Also Important to Include**

About two thirds of the 69 participants said that the following should be members of the board:

- **Consumer organization representatives.** Participants wanted to see strong consumer representation on the board and felt that consumer organizations could help accomplish that.

- **Physicians.** Many participants felt that because physicians were on the "front lines" of health care coverage, their perspective would be important to include on the board (e.g., "Physicians do have a dog in the hunt, and they would be able to make some good recommendations as to what they have seen"). Some thought that physicians' medical expertise would be relevant to discussions that might occur, for example, about what procedures and drugs HBE plans should be required to cover. In contrast, those who would not include physicians thought their primary role was to provide patient care, not to be involved with health insurance administration. A few seemed to have a general dislike and/or distrust of physicians.

- **Nurses**. Because nurses worked closely with health insurance in hospitals and medical practices, several participants felt they would offer a valuable perspective on the HBE board. Those who did not think nurses needed to be included either felt physician were the most appropriate medical representatives and/or that nurses' primary role should be patient care.

- **Health Actuaries.** Participants did not discuss health actuaries in depth, but in general they felt that it was important to include individuals with a working understanding of health insurance finance. A number were not familiar with the term *actuary.*

- **Health Economists.** Again, participants wanted to include individuals who understood the financial side of health insurance. It was noted in a few groups that health economists could supply other board members with perspectives on economic conditions and trends within the health insurance industry**,** which would be helpful in planning for the future.

Nearly half of the 69 total participants said that the following should be included:

- **Producers (brokers or agents).** Including brokers and agents was a subject of significant debate.

  - Participants who would include brokers and agents felt they would provide valuable input, due to their insurance knowledge and "real world" experience in the marketplace. One participant said, "They are in the game." For some, it was difficult to envision a board that did not include brokers and agents.

  - In contrast, those who would not include brokers and agents felt that they were salespeople who would bring a primarily self-interested perspective to the board.

**Less Important to Include**

Compared to the other possible members, a few were seen as less important to include. Only about a third of the 69 total participants said that the following should be members of the board:

- **Insurance executives.** Some participants felt that insurance executives needed to be involved in building and running the HBE because they too were key players in the insurance industry. They could not envision how an HBE board could function without these individuals' perspectives.

  However, a majority felt that insurance executives should not be included. Some seemed not to trust insurance executives specifically, because they were in charge of the current system in which small businesses paid very high premiums. Others generally did not want executives from large companies on the board because they assumed their corporate interests would dominate it.

- **Hospital executives.** Participants who thought hospital executives should be on the board saw them as key players whose perspective would be necessary to decisions made

about the HBE.   Those who would not include them either felt that executives in general should not participate, or that hospital executives would participate only to advance their corporate interests.

- **Elected state officials.** Some participants thought elected state officials should be involved with the HBE board, but more said "keep politics out of it."  As previously mentioned, if officials were to be included, most preferred including elected officials instead of appointed ones.

A fourth of the 69 participants said that the following should be members of the board:

- **Drug company executives.** A few thought drug executives should be on the board to provide input about prescription drug coverage issues.  However, most did not think they should be included.  Participants were again wary of including executives on the board – they felt they represented big business and could edge out the concerns of small business and consumers.

- **Appointed state officials.** Participants were usually negative about the inclusion of appointed state officials. In general, it was hard for them to envision why appointed officials warranted a seat on the board, without more specific indications as to what kinds of officials these would be.  They were concerned that appointed officials were likely to "rubber stamp things to please those who appointed them."

**<u>Excluded Parties</u>**

Participants were also asked to indicate which parties should be excluded from the board.

- From half to three quarters of the 69 participants queried said that the following should be excluded:  insurance executives, hospital executives, drug company executives, appointed state representatives, and elected state representatives.

- A little less than half of all participants said agents and brokers should be excluded.

- Only a fourth or fewer of all participants said that each of the other potential members should be excluded.

## FINAL DISPOSITION

At the end of the groups, after all the HBE topics had been discussed, participants were asked to revisit their views regarding whether or not the HBE could be a benefit to their companies. Despite negativity, skepticism, and many questions about the specifics of the concept, a majority of participants was at least curious about the HBE and wanted to know more about it.

There were significant doubts about the HBE, particularly because it was government-affiliated and related to Health Care Reform. One participant summarized a sentiment that was heard in all groups, "I would be highly skeptical if it's government run."

However, across groups, it seemed that among even some of the most skeptical of participants, there was a willingness to investigate the HBE for the possibility of lower premiums. Participants were frustrated and financially stressed by health insurance costs, which made them more willing to explore any avenue of relief.

Many were "hopeful" that the HBE could benefit their companies and small businesses in general. They hoped it would lower the cost of employee health insurance benefits and simplify the plan selection and shopping process. If the HBE could succeed in creating larger ratings pools, participants felt this would very likely help small businesses find lower rates. However, there were persistent concerns that by eliminating health status underwriting, premiums would go up.

A few participants were resistant to the HBE concept because they felt it did not address what they saw as the main causes of escalating health care costs - hospitals, physicians, and/or drug costs. They did not accept that the HBE could control costs if costs to insurance companies were not managed as well.

## KEY CONCLUSIONS

**Health insurance is both a practical and emotional issue for small business decision makers, who feel caught between the desire to provide their valued employees with a coverage opportunity, and the increasing cost and complexity of health benefits.**

- The provision of health insurance to employees is viewed by small business decision makers as an achievement and "point of pride." They work hard to offer it, administer it, pay for it, and to make it a priority even in difficult financial times.

- For those not offering health insurance (most of whom represented very small companies), a number said they would consider offering it if it were more affordable, and if doing so was not such an overwhelming, time-consuming task.

- Across all groups, participants said that ideally, providing health insurance would be easier, simpler, and less expensive, with plans that offered good coverage without high out-of-pocket costs, particularly via high deductibles.

**While satisfaction with insurance coverage tends to be high for those offering benefits, decision makers across all groups reporting being dissatisfied with the cost and complexity associated with health insurance.** Cost and complexity are key challenges for businesses offering health benefits (as well as for their employees), and key barriers to doing so for those that do not offer these benefits.

**The vast majority of participants had a working knowledge of health insurance topics, was not especially well informed about the Health Care Reform laws, and had some difficulty grasping the HBE concept.**

- A few, who were typically from larger companies (i.e., more than 20 employees) that provided health benefits, seemed very well informed about health insurance and the current information/events surrounding Health Care Reform. They were best able to understand/ask relevant questions regarding the HBE concept as presented in the groups.

- A small segment of decision makers in the groups not providing health insurance were quite unsophisticated with regard to health insurance and Health Care Reform. They were very confused by, and therefore dismissive of, the HBE. These individuals were typically from very small companies (e.g., less than 5 or 10 employees).

**It was difficult for participants across groups to determine what, exactly, the goals of the HBE will be.** Some thought that the HBE was an attempt to lower costs, create larger ratings pools, provide insurance to as many people in Virginia as possible, and provide insurance to low income uninsured individuals – although participants were not sure of any of these. They had many questions about the reasons for these goals; they needed more information to understand them and how they would be achieved.

**It is likely that it will be challenging to communicate about the HBE to small business decision makers.** In general, small business decision makers find health insurance information and decision making to be confusing and difficult. Moreover, they are also confused by, and uncertain about, the new Health Care Reform laws. Because the Health Benefits Exchange exists within the context of both of these, it too is quite difficult for the small business audience to understand.

In order to develop a working understanding of the HBE concept, small business decision makers will need to be provided with a very clear explanation of the following:

- The overall and specific goals of the HBE (Is its goal to lower costs? Is its goal to ensure that more people are insured? Will it create larger ratings pools?)
- How the HBE is intended to benefit small businesses
- How the HBE will be structured
- What entity will operate the HBE
- How the HBE and its employees will be funded
- The role of the state and federal governments in the HBE
- How the HBE will affect small businesses in Virginia, both in terms of projected outcomes and new rules/mandates

Communications will also need to emphasize that the HBE is <u>for small businesses</u>, not just previously uninsured consumers.

**In considering how the HBE should be operated, small business decision makers particularly valued the provision of informational "tools" with the potential to 1) simplify health insurance decision making and 2) increase their self-sufficiency regarding it.** These tools included a published ranking of all health plans by cost and quality, a personal cost calculator, unbiased HBE navigators, and a one-stop web portal with comparison plan information.

**In considering the composition of the HBE board, it was clear that decision makers across groups thought small business and consumers should be well represented and that their views and needs should never be overshadowed by corporate and government interests.** Not surprisingly, it was of particular importance to them that small businesses have strong representation on an HBE governing body**.**

**There was greatest receptivity to the HBE concept in Northern Virginia.** In Richmond, Roanoke, and especially Virginia Beach, there was significant skepticism/suspicion about the HBE's government affiliation, association with Health Care Reform, and its perceived goal of insuring as many currently uninsured people as possible.

## ADDITIONAL TOPICS:
## WELLNESS PROGRAM AND OUT-OF-POCKET COSTS

### Wellness Program Discussion

**Experience with and attitudes about wellness programs.** The vast majority of participants had never offered wellness programs to their employees. While some had an idea of what might be included in a wellness program, others appeared to be unfamiliar with the concept.

Participants identified the barriers to offering wellness program as cost and employee disinterest (particularly in blue collar companies). One participant said, "My guys just want to get in and get out…they don't want to do other stuff."

A very few had offered wellness-related benefits in the past but their employees' lack of interest/participation caused them to stop. For example, one participant said his firm had once covered 50% of all employees' gym memberships; when it was discovered that those who signed up were not using the membership, the benefit was cancelled.

**Receptivity to free/discounted wellness program.** Some participants expressed mild interest in a free or discounted wellness program for small businesses. However, the majority did not express interest. A wellness program seemed to be viewed as a "nice to have" and a "perk" that some employers would be interested in offering to their employees.

### Aid for Out-of-Pocket Costs

Across groups, many employers who are currently offering health benefits said that some of their employees (anywhere between 10 and 50 percent, depending on the company) did not participate, especially in those companies employing young and/or lower-wage workers.

Overall, the monthly premium seemed to be the key barrier to these employees' participation in benefits program, more so than out-of-pocket costs. Some participants thought that lower-wage employees who wanted insurance and were willing to pay premiums would indeed benefit from a program to help them pay out-of-pocket costs. However, few participants felt there were many employees in their companies with this financial profile.

Participants also noted that there are other barriers to buying health insurance, including 1) being intimidated/confused by insurance in general and 2) a comfort level with other methods of getting health care (e.g., free clinics, emergency rooms). For employees who overcame these barriers, making the transition from uninsured to insured would require assistance. As one participant said, "There would be some training and some getting used to it. They are into a

routine as to how they take care of themselves…the ER or a free clinic.  It's a process.  There is no way that you could put this [an out-of-pocket expense subsidy] out there tomorrow and people will just understand it and know what to do.  It would take some education."

# APPENDIX

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**Virginia Small Business Health Insurance Focus Groups**
**Discussion Outline**
***REVISED 6-22-11***

## I. Introduction (15 minutes)

A. Purpose: To discuss some of your thoughts and experiences regarding health insurance for your small business. Research sponsored by the Commonwealth of VA and the VA Health Reform Initiative.

This session will take between an hour and a half and an hour and three quarters. Thanks again for your participation in this important project.

B. Disclosure

- Observation
- Audio recording
- Confidentiality assured

C. Ground Rules

- Need to hear from everyone; one at a time.
- No right or wrong answers; your personal opinions.
- Be candid; moderator has no vested interest.

D. Participant Introductions

- Name,
- Business name and description
- What health insurance does you business provide to employees (if any) and what company provides it?

## II. Satisfaction and Unmet Needs (20-30 minutes)

A[1]. (Group 1 - Companies with health insurance coverage) Overall, how satisfied are you with your company's current health insurance?

- ➢ Rate your satisfaction on a 5-point scale where 5 = very satisfied and 1 = not at all satisfied. ***Show of hands.***
  - (Moderator will ask selected high and low rating participants) Why did you rate your satisfaction the way you did?
- ➢ Probe satisfaction regarding the following, if not mentioned unaided:
  - Your broker/agent – good or not? What makes them good or bad?
  - Premiums (we know they are too high) – how do you manage annual increases? Do you have to switch plans? Does it create problems?
  - Are your employees satisfied with their plan? How do you know?
  - Choice. Do you have as many options as you would like? Are there enough competitors in your area? How many do you have access to?
  - Coverage – is it adequate? Anything not covered that should be? Any coverage surprises?
- ➢ What, if anything, would you like to change about your company's current health insurance coverage?

A[2]. (Group 2 - Companies without health insurance coverage) Overall, how satisfied are you with your company's current health insurance status not offering health insurance?

- ➢ Rate your satisfaction on a 5-point scale where 5 = very satisfied and 1 = not at all satisfied. ***Show of hands.***
  - (Moderator will ask selected high and low rating participants) Why did you rate your satisfaction the way you did?
- ➢ If you could design the ideal health insurance plan for your company and your employees, what would it be like? What would be the important features of the plan?

B. More generally, from your position as a decision maker in a small to medium sized business, what is good and bad about the health insurance market for Virginia companies today? (Flip chart list)

- What is good about the market? Discuss.
- What is bad about the market? Discuss

Moderator will create list and then discuss.

## III. Health Benefits Exchange (HBE) Concept (30 minutes)

A. Unaided. Have you ever heard of Health Benefits Exchanges? What have you heard?

B. Moderator presents description of HBE (moderator will hand out description and read)

1. Overall Response

   - What is your response to this concept?
   - What catches your attention?
   - Positives? Any negatives?
   - Is there anything confusing or unclear?
   - Do you have any questions about this concept?

2. Do you think a Virginia Health Benefit Exchange, as described above, would have any benefit to the business you represent? Discuss.

   - Do you have any concerns about it? Discuss.

## IV. Virginia Health Benefits Exchange Options (20-30 minutes)

A. Virginia has the opportunity to decide how its Health Benefits Exchange is designed and how it operates. We are interested in what its priorities should be, from your perspective as a business person whose company might become involved with the Exchange.

*Moderator hands out list of Virginia Health Benefits Exchange features.* Please take a moment and review this list.

Put an "H" next to those features that you think are highly important; put an "L" next to those features that you think are of low importance.

If there are any features that you would like to see that are missing just write them on the back of your questionnaire.

Finally, check the 3 features that are at the very top of your list – that you think are the very most important to be included in the Virginia Health Benefit Exchange.

When participants have completed the questionnaire, moderator probes:

- Which features were among your 3 most important? Why?
- Which features did you identify as of low importance? Why?
- Did we miss any feature? Did anyone add any feature of their own to the back of the questionnaire? What was it? Discuss.
- Finally, if you had to choose one feature of a Virginia Health Benefit Exchange that is most important, which would you choose? Discuss.

B. The Virginia Health Benefits Exchange will be governed by a Board. We are interested in your thoughts about the Board's composition.

*Moderator hands out list of possible Virginia Health Benefits Exchange governing board participants.* Please take a moment and review this list.

Check in the column labeled *Critical to Include* those Board member participant types that you think must be included. Check in the column labeled *Exclude* those Board member types, if there are any, that you think should be excluded from the governing Board.

If there are any Board member participant types that you would like to see that are missing, just write them in the blanks at the bottom of your questionnaire.

When participants have completed the questionnaire, moderator probes:

- Which Board member participant types did you mark as critical? Why?
- Were there any Board member participant types that you thought should be excluded? Why?
- Did we miss any participant type? Did anyone add any a participant type of their own at the bottom of the questionnaire? What was it? Discuss.
- More than individual participant types, what is the best way to think about balance for the Board? For example, you might say "Insurers can be on it, but not a majority," OR "Employers should make up at least half the Board so that it is not dominated by people who do not pay for health care,"

## V. Health and Wellness Passport Topics (10 minutes)

Before we conclude, I would like to get you feedback on one other health care related topic.

**A.** ***Have you had situations where employees did not want to take health insurance because they perceived the out-of-pocket costs were too high?***

- ***If so, how does that affect your decision making about health benefits?***
- ***Do you think more lower wage employees might take health insurance if they had help with out of pocket costs?***

**B.** ***Is employee wellness something you offer, or would like to offer, to your employees alongside health insurance?***

- ***From a small employer perspective, what are the barriers to offering a wellness program?***
- ***Would you view free or discounted access to a good wellness program as an added incentive for offering health benefits?***

## VI. Final Disposition (5 minutes)

As we are drawing to a close, let's return to the Health Benefit Exchange concept

A. As you think about the structure of Virginia's Health Benefit Exchange, we have two final questions.

- Should all qualified health plans be allowed to be sold inside the HBE or should the HBE play a more active role of selecting which products will be made available?
- Should producers be allowed to be Navigators or should they just serve the market that chooses to remain outside the HBE?

B. What is your final response to the Health Benefit Exchange concept after discussing it with your peers during this focus group?

- Do you think it will ultimately make health insurance more accessible to your business (knowing that your answer depends on how the HBE is finally structured and how it operates)? Why or why not?

## VII. Conclusion (5 minutes)

A. Check with clients for any additional questions.

B. Collect completed questionnaires.

C. Thank and dismiss participants.

## HANDOUT: Health Benefits Exchanges (HBE)

A Health Benefits Exchange (HBE) is perhaps best described as a new health insurance marketplace for individuals and for small groups such as your company. Any marketplace has two parts: (1) rules; and (2) people who enforce the rules. No marketplace works without both buyers and sellers willing to participate, so the rules must work for all.

The new federal law and forthcoming regulations set some of the rules for the new HBE and for existing insurance markets, but the Commonwealth of Virginia will have many choices to make, about both rules and people, to try and make insurance markets work better for its citizens. The new market will begin in 2014. Your views of Virginia's choices are important to policymakers, which is why we are conducting these focus groups.

The overarching goal of an HBE is to make this complex market more transparent, and to facilitate enrollment by people like you and your employees, as well as those who have never had private insurance before and may need subsidies to help pay for their insurance. Thus the HBE will be required to provide clear and objective information about your insurance choices in various ways:

1. Plan comparisons that highlight key features of insurance products available to you
2. A one-stop web-site "portal" that can determine your or your workers' eligibility for tax credit subsidies to buy private insurance through the HBE or to enroll in Medicaid or other public insurance (e.g., FAMIS)
3. A toll-free hotline to answer questions
4. A cost-calculator which estimates out-of-pocket liabilities for each plan
5. "Navigators" who will explain your options and facilitate enrollment, and who will have no financial stake in which plan you choose
6. A value ranking of health plan choices, based on premium, out of pocket costs, and the quality of care delivered by each plan's network of providers

The HBE is responsible for deciding which insurance plans can be offered in the exchange. A plan offered in the exchange will be required to meet one of four specific coverage levels (from less coverage to more coverage), and its coverage level will be clearly identified. Within that required structure of four coverage levels, insurers will have freedom and flexibility to design their plans.

At the same time the HBE comes online in 2014, other federal insurance rules will go into effect in all insurance markets, both inside the HBE and outside:

5. Insurers can no longer deny coverage or charge people or firms higher premiums because of the health status of an individual, in other words, health status underwriting is outlawed.
6. All policies offered by insurers must cover "essential benefits" as defined by the federal government (later this year), and all polices must cover at least 60% of the cost of services that the average person can expect to incur.
7. If insurers choose to offer the same products both inside and outside the HBE, they must charge the same amount for each.
8. The market outside the HBE will continue to be served by knowledgeable and licensed producers, commonly known as brokers and agents, and they will continue to be paid for their services by competing insurers.

Name__________________________ Date___________________________

Group time_____________________

**Virginia Health Benefits Exchange Features**

1. Evaluate the importance to you and your business of each feature of a Virginia Health Benefits Exchange.

**H = high importance**
**L = low importance**

2. Check the 3 features that are the most important to you (top 3).

| Feature | Importance H or L | Top 3 (check 3) |
|---|---|---|
| One-stop web site portal with comparison plan information | | |
| Toll-free hotline to answer questions | | |
| Navigators to explain your options, with no financial interest in which plan you select | | |
| Allow licensed producers -- agents and brokers -- to be Navigators in the HBE | | |
| Personal Cost calculator, to estimate your out-of-pocket costs with each plan | | |
| Tax credit/subsidy/public program eligibility determination | | |
| Set objective standards and then allow all plans that meet the standards to sell inside the HBE | | |
| Screen all qualified health plans and pick a select few that will be allowed to sell inside the HBE | | |
| Rank all qualified health plans by cost and quality and publish that ranking for all to see | | |

Name___________________________ Date____________________________

Group time_____________________

**Virginia Health Benefits Exchange Board Participation**

1. What participant types should be included on the Board that governs the Virginia Health Benefits Exchange?

**Critical to Include:** Check those participant types that it is critical to include on the Board

**Exclude:** Check those participant types, if any, that should be excluded from the Board

At the bottom, add any participant types that should be included on the list.

| Health Benefits Exchange Board Participant Type | Critical to Include | Exclude |
|---|---|---|
| Insurance executives | | |
| Producers (Brokers or agents) | | |
| Large employers (but not insurers or health providers) | | |
| Small employers (but not involved in health industry) | | |
| Doctors | | |
| Nurses | | |
| Hospital executives | | |
| Drug company executives | | |
| Consumer organization representatives | | |
| Health Economists | | |
| Health Actuaries | | |
| Elected state officials | | |
| Appointed state officials | | |
| Ordinary citizens/consumers | | |
| (other) | | |
| (other) | | |
| (other) | | |

| | |
|---|---|
| **Interviewer:** ______________ | |
| Date: ______________ | |
| Letter sent: ______________ | |
| Reconfirmation Call: ______________ | |

**Group I** ______ *(5:30 p.m.)*
*(Offer Health Insurance)*

**Group II** ______ *(7:30 p.m.)*
*(Investigated Health Insurance)*

## Alan Newman Research

**George Mason University – Health Benefits Exchange Focus Groups – Pr. # 363-01**

**Richmond, VA – Tuesday, June 21, 2011 – 5:30 & 7:30 p.m.**
**Roanoke, VA – Wednesday, June 22, 2011 – 5:30 & 7:30 p.m.**
**Fairfax, VA – Tuesday, June 28, 2011 – 5:30 & 7:30 p.m.**
**Virginia Beach, VA – Wednesday, June 29, 2011 - 5:30 & 7:30 p.m.**

- **CALL INTO SMALL BUSINESSES (DEFINED AS HAVING 2-100 EMPLOYEES)**
- **ASK TO SPEAK TO THE PERSON RESPONSIBLE FOR DECISIONS REGARDING THE HEALTH INSURANCE BENEFITS OFFERED TO EMPLOYEES**
- **SHOULD BE OWNER, PARTNER, BUSINESS MANAGER, HUMAN RESOURCES DIRECTOR, ETC.**

Hello, I'm __________ with __________________, an independent marketing research company. We are not selling or promoting any product or service. We are conducting a research project among owners, operators, and decision-makers in small businesses and would like to include your views.

This research project is an initiative of the Commonwealth of Virginia and is part of the Virginia Health Reform Initiative. The Virginia Health Reform Initiative is focused on improving the health of all Virginians and making health care affordable for them.

My questions will only take a couple of minutes.

1. Who in your company is **most responsible** for the decisions regarding the kinds of benefits (including health insurance) offered to your employees?

Self _____

**GET REFERRAL AND BEGIN AGAIN** >> Someone else _____

2. Which of the following best describes your role in regard to employee benefits?

A. I am the sole (or final) decision-maker regarding what benefits are offered to our employee. _____

B. I am not the final decision-maker, but have significant input into the decisions regarding what benefits we offer. _____

C. I am responsible for obtaining information about possible benefits, but do not make decisions about what we offer. _____

**[MUST MENTION "A" OR "B" TO CONTINUE]**
**[IF "C", GET REFERRAL TO DECISION-MAKER]**

3. What is your title?

________________________________________________

**[SHOULD BE C-LEVEL/OWNER/PARTNER/DIRECTOR/ETC.]**

3A. How long have you been working in your current position [or if owner/partner: how long have you owned your company?]

___________________________ **[MUST BE AT LEAST 2 YEARS TO QUALIFY]**

4. How many employees work for your company (at all locations)?

_____________________ **[RECORD # AND CATEGORIZE BELOW]**
**[MUST BE AT LEAST 2 AND NO MORE THAN 100 TO QUALIFY]**
**[NEED GOOD MIX BY COMPANY SIZE]**

**TERMINATE >>** Fewer than 2 _____
**MAX. 2 PER GROUP** >> 2-5 _____
6-10 _____
11-20 _____
21-50 _____
51-75 _____
76-100 _____
**TERMINATE** >> Over 100 _____

5. What type of business is your company involved in?

____________________________________________

**[NEED GOOD MIX BY TYPE OF BUSINESS]**

6. Which of the following statements describe your company's status with regard to health insurance benefits? **[READ STATEMENTS AND RECORD ALL THAT APPLY]**

A. We currently offer health insurance benefits to our employees ______
B. We have offered health insurance in the past, but do not currently offer it ______
C. We have never offered health insurance to our employees ______
D. We are currently shopping for a health insurance plan for our employees ______

**IF "A" ASK Q. 6A**
**IF "B", "C", or "D" >> ASK Q.6B**

6A. How many employees are on your health insurance plan?

**_____________________[SHOULD BE AT LEAST 2 AND NO MORE THAN 100]**
**[GO TO Q.7]**

6B. **Thinking about the <u>past 2 years</u> or so**, which of the following statements best describes you?

1. I have **contacted a broker or someone else** to get a quote for health insurance coverage for our employees ______
2. I have **gone online** to investigate the options for health insurance benefits for our employees ______
3. I have done something else to seek out health insurance coverage (Specify) ________________________________ ______
4. None of these statements describes me ______

**QUOTAS:** **IF <u>CURRENTLY OFFER</u> HEALTH INSURANCE BENEFITS TO 2-100 EMPLOYEES > Q.6 & Q.6A > ATTEMPT FOR GROUP I**

**IF <u>HAVE INVESTIGATED</u> IN PAST 2 YEARS >> "1", "2" or "3" IN Q.6B >> ATTEMPT FOR GROUP II**
***(NOTE: IF ONLY "3" MENTIONED, SCREEN & HOLD FOR APPROVAL)***
**IF MENTION "4" >> TERMINATE**

7. Do you, or does any member of your household or immediate family, work:

For a market research company _____
For an advertising agency or public relations firm _____
In the media (TV/radio/newspapers/magazines) _____
For a health insurance provider _____
In the healthcare industry (as a Dr., Nurse, Pharmacists, etc.) _____
For a college or university _____
In the state legislature or as an elected official _____

**[IF YES TO ANY >> TERMINATE – *OR GET SPECIFICS & HOLD*]**

My last few questions are for classification purposes only

8. Please tell me your age.

______________________________

**[ATTEMPT SOME MIX]**

9. So that we can be sure that all backgrounds are represented in our study, please tell me your race or ethnic origin. Would you say that you are… ?

**[ATTEMPT MIX]**

Caucasian/white _____
African-American/black _____
Hispanic _____
Asian _____
(Specify) _____________________________________ Other _____

10. What is the highest level of education you have completed?

Some high school/Less than high school graduate _____
High school graduate _____
Some college or technical school _____
College graduate _____
Post graduate studies or degree _____

11. [RECORD GENDER]

Male _____
Female _____

12. Have you ever attended a focus group discussion? By that we mean an informal, round-table discussion, conducted by a professional moderator, in which you were asked your opinions regarding a product, a service, or advertising?

**ASK A-C** >> Yes _____
**INVITE TO GROUP** >> No _____

A. How many of these groups have you attended?

______________________________

B. What was/were the topics discussed?

______________________________

C. How long ago was the last one of these groups you attended?

______________________________

**[INVITE TO GROUP]**

Thank you for answering all of my questions. As I mentioned earlier, we are conducting research as part of the Virginia Health Reform Initiative, which is an initiative of the Commonwealth of Virginia. As a business decision-maker in Virginia, we would very much like to hear your views. In order to hear them first-hand, we are conducting an informal, round-table discussion to be held on **[DATE]** at **[TIME]**. The discussion will last about 2 hours and will be both enjoyable and informative. No one will attempt to sell you anything and no one will call on you as a result of your participation. As a token of our appreciation for your help in our research effort, you will receive a **[$150]** cash honorarium at the time of the session. This is an important research effort and we hope that you will be part of it. We can only invite a few businesses to take part and hope that yours will be represented. Can we schedule your attendance?

**[If yes, read ….. ]**

If you need glasses for reading or for watching TV, please be sure to bring them with you to the group.

Also, please be sure to bring a picture ID as you may be asked to show it to be admitted into the group.

**[RECORD GROUP]**

| Market: | Richmond | June 21, 2011 _____ |
|---|---|---|
| | Roanoke | June 22, 2011 _____ |
| | Fairfax | June 28, 2011 _____ |
| | Virginia Beach | June 29, 2011 _____ |

| Group I | 5:30 p.m. | (Offer health insurance) | _____ |
|---|---|---|---|
| Group II | 7:30 p.m. | (Investigated health insurance) | _____ |

**[Get]**

**ID # ______________________________________________________ (Richmond Only)**

NAME:___________________________________________

TITLE: ___________________________________________

COMPANY: ___________________________________________

ADDRESS: ___________________________________________

CITY: ___________________________________________

ZIP CODE: ___________________________________________

PHONE: (DAY) ________________________________

(EVE) ________________________________

(CELL)________________________________

(FAX) ________________________________

(EMAIL) ________________________________