

A Survey of California Small Business Owners About Health Insurance and the Availability of Insurance to Small Businesses through the California Health Insurance Exchange in 2014

– conducted on behalf of –

Kaiser Permanente and the Small Business Majority

Availability of insurance through the California Health Insurance Exchange in 2014 would likely spur more small business owners to provide health benefits to employees

Just one in three small business owners in California (32%) say they currently provide health insurance benefits to all their employees and another 4% provide it to some employees. Most of those who do – nearly three in four – purchase their company’s health insurance coverage through an insurance broker and are generally satisfied with their broker’s performance.

However, when small business owners are told that when the California Health Insurance Exchange becomes operational in 2014 it will enable small businesses to shop for health insurance among competing companies either online or through a broker, the proportion who say they’d be likely to offer health coverage to their employees grows to 44%. Three in four of these owners, representing 33% of all small business owners statewide, say they’d likely use the Exchange to obtain their company’s health insurance in 2014. Another 11% say they’d likely get the health insurance for their employees through other sources.

Anticipated usage of the Exchange varies significantly according to the partisan leanings of the business owner. Twice as many small business owners who are Democrats (45%) as Republicans (23%) say they expect to use the Exchange to purchase employee health insurance in 2014.

A potentially attractive Exchange feature: Giving small business a mechanism for offering their employees the ability to choose their own insurance company

A number of features that the Health Insurance Exchange could potentially offer to California small businesses were posed in the survey and small business owners were asked how attractive each would be to them.

The Exchange feature with the greatest potential appeal is one that would enable small business owners to set a level for the amount they would pay toward each of their employees’ health insurance and then allow each employee to go to the Exchange to choose their own insurance company. Under this approach, the Exchange would also handle the enrollment process and provide owners with a single consolidated bill. When presented with this possibility, 49% of all small business owners say this Exchange feature would be attractive to them.

Small business owners who either plan to offer health benefits to employees in 2014 or haven't ruled it out are more likely than owners who do not intend to offer insurance benefits two years from now to consider this an attractive feature. For example, of the small businesses expecting to offer health benefits to their employees in 2014, two in three (67%) consider the ability to offer employees a means to choose their own insurance company through the Exchange attractive to them. In addition, a majority (53%) of those who aren't sure whether they will be able to offer health coverage to their employees in two years from now also find this attractive.

The 49% of all small business owners who consider this Exchange feature attractive were also asked about the number of insurance companies that employees should be able to choose from when going to the Exchange to select an insurance provider. The large majority of them, representing 42% of all California small business owners, say giving employees four or five insurance companies to choose from would be attractive to them. This declines to 24% if the Exchange only offered employees two insurance companies to choose from.

Offering health plans that give greater prevention and wellness services would also be an attractive Exchange feature

About half (48%) of small business owners in California say it would be attractive for the Exchange to offer health plans with greater prevention and wellness services. This increases to 66% among small business owners who expect to offer health benefits to employees in 2014.

About one in three of the small business owners maintain that it would be attractive to also offer COBRA administration services (32%) or other benefit management services, such as 401k and Section 125 medical savings accounts (35%). In each case, larger proportions of the small business owners who expect to be offering health benefits to employees in 2014 view these as attractive features.

A relatively small number of small business owners (16%) say offering payroll processing services that included issuing paychecks and depositing payroll taxes would be a potentially attractive Exchange feature.

Mixed views about whether the Exchange should offer a smaller number of similar plans that are easy to compare vs. a wider variety of plans that would be harder to compare

Small business owners in California are about evenly divided when asked whether they would prefer having the Exchange offer a limited number of about five to ten health plans whose features were basically the same so that each company's plans could be easily compared vs. having it offer a wider variety of plans if this made them harder to compare to one another. Statewide 42% prefer the former, while 45% the latter. Another 13% have no opinion.

There are significant differences in opinions about this between small businesses owners who currently offer health benefits to their employees and those who do not. Those who currently offer employee health benefits prefer having the Exchange offer a smaller number of similar plans that are easy to compare by a five to four margin (51% to 41%). By contrast, owners who aren't currently providing health benefits to their employees think having the Exchange offering a wider variety of choices would be the better alternative, 47% to 38%.

Very few California small business owners who are eligible for the health reform law's tax credit are currently taking advantage of it

About six in ten of the California small business owners surveyed are currently eligible for the health reform law's tax credit based on their number of employees and the average annual wages these employees are paid. These small business owners were asked if they were aware of a provision in the federal health reform law that provides such companies a tax credit, and if so, whether their company was currently taking advantage of the tax credit.

The results show that only about half (49%) of the state's small business owners eligible for the tax credit had heard of this part of the health reform law. Thus, the single biggest obstacle to small business owners' usage of the federal tax credit is their lack of awareness of the law.

However, even among small business owners aware of the credit, the take up rate is extremely low. This appears to be due to two other factors. First, about three quarters of those eligible for the credit, representing 37% of all eligible small business owners, don't currently offer health insurance to their employees and therefore wouldn't benefit from the credit. Secondly, even among the 12% of the eligible California small business owners aware of the credit, most say they aren't sure whether their company is eligible for the credit (6%) or mistakenly believe their company is not eligible (3%). Just 3% of all California small business owners eligible for the tax credit say they know that their company is eligible for it, of whom just 2% are currently taking advantage of it.

Most companies eligible for the tax credit who aren't offering health benefits say they would be likely to shop for insurance on the Exchange if they knew their company qualified for the tax credit

About half of all California small business owners are eligible for the health reform law's tax credit and are not currently offering health benefits to their employees. These small business owners were asked whether they would be likely to shop for health insurance on the Exchange if they knew their company qualified for the federal tax credit. The results show that a majority (58%) says this would make them more likely to go to the Exchange to shop for employee health benefits in 2014.

Having specific doctors included in a health plan is very important to a majority

Small business owners who offer health insurance to employees were also asked a series of questions about the importance of including a specific doctor that they, a member of their family or an employee sees on a regular basis in an insurance company's health plan offerings. The results show that a 58% majority say that having specific doctors included in a health plan is very important to them. Most of the small business owners reporting this, representing a little more than a third (36%) of all companies offering employee health benefits, also say not having certain doctors included in the plan eliminates some health insurance companies from consideration. Only 4% say this has eliminated Kaiser from consideration, while 18% cite other companies.

About the Survey

This survey of small business owners in California was conducted for Kaiser Permanente (Kaiser) and the Small Business Majority (SBM) by Field Research Corporation (Field), an independent research organization based in San Francisco. Field was responsible for providing advice and assistance to Kaiser and SBM in the development of the survey questionnaire, sample development, completing all data collection and processing, sample weighting, and the preparation of this Executive Summary of the survey results.

California small business owners with 2 – 50 employees who had some responsibility for their company's employee compensation and benefits were eligible for the survey. Regionally stratified random samples of small businesses were developed from Dun and Bradstreet listings of named small business owners in the Northern and Southern California regions. The survey was conducted by telephone by professionally trained interviewers working from Field's central location call center during the period April 16 – May 6, 2012. A total of 386 small business owners participated in the survey. According to statistical theory findings from the overall sample have a maximum sampling error of plus or minus 6 percentage points at the 95% confidence level.