

December 5, 2011

Broad Interest in Health Insurance Exchanges Among New York Small Business Owners

To: Interested Parties

From: David Walker, Greenberg Quinlan Rosner Research
Ben Geyerhahn, Hudson TG

Small business owners in New York and all over America struggle to survive and keep their businesses open. They contend with depressed consumer demand, rising employee costs and restricted access to capital and credit. In this context, it is notable, but not surprising that small business owners react enthusiastically to the idea of a privately-run health insurance exchange. These exchanges give small business owners a vehicle for providing their employees more options and for simplifying health insurance purchasing and administration. They give small business owners additional time and money to grow their businesses.

Little wonder that 84 percent describe health insurance exchanges as a “good idea” after reading a description based upon the legislation approved by the Governor’s office and passed by the New York State Assembly, but now languishing in the Senate¹. Moreover, 76 percent would consider using a health insurance exchange when enrolling their employees in a health benefits program. More striking, among small business owners who do not currently provide health insurance to their employees, 60 percent say they would be more likely to offer health insurance if such a health insurance exchange were available.

This memo reflects an Internet survey of 300 small business owners in New York State. The survey was conducted between November 17 and 21, 2011.

Main Findings

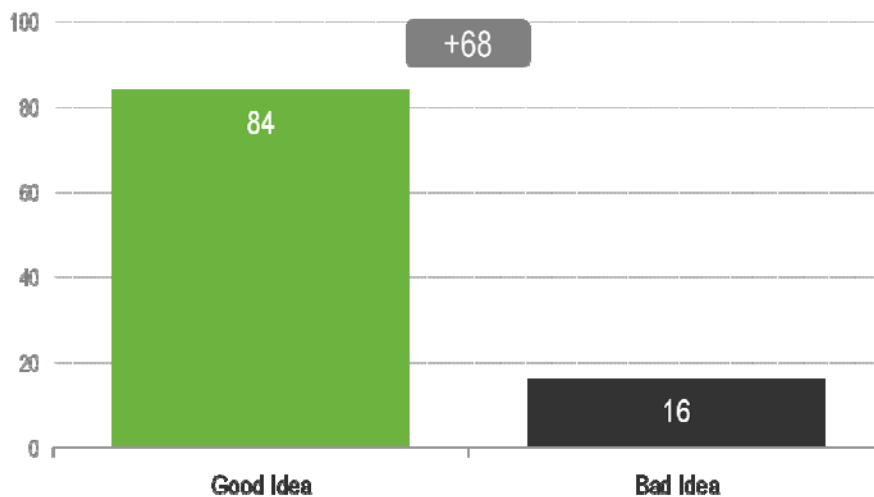
- **Small businesses are struggling.** More than three-quarters believe that the small business climate in New York is off on the wrong track and only 27 percent report their businesses are doing well. Small business owners outside of New York City and Long Island are particularly pessimistic about the direction of small businesses in the state (82 percent wrong track).

¹ See Appendix for question language

- **Small business owners understand the importance of providing insurance.** Nearly half (49 percent) of small business owners in this survey offer health insurance to at least some of their employees.² More than half (54 percent) of those owners who do not currently provide insurance would consider doing so in the future. Moreover, a 75 percent majority, including 65 percent who do not provide insurance, agree with the statement, “Offering health care benefits helps my company attract and retain quality employees.”
- **Cost is not the only issue.** Naturally, the expense of health insurance is the primary burden for small businesses when it comes to health coverage, but small business owners also complain about time and administrative hassle. A 56 percent majority of owners providing health insurance agree, “My company spends too much time and money shopping, offering and administering health care benefits.” Fully half (50 percent) agree, “I could spend more time thinking about how to grow my business if I didn’t spend so much time dealing with health care for my employees.”
- **Small business owners are not familiar with health insurance exchanges, but they respond enthusiastically when they hear about them.** Only one in five (19 percent) are familiar with health insurance exchanges. This number grows among owners in New York City, as well as among owners with more employees and those who offer insurance. However, after owners read a description of the health insurance exchange proposed for New York state, 84 percent describe them as a good idea, just 16 percent as a bad idea. This number is consistent throughout and includes the 82 percent of owners who do not currently provide health benefits.

■ Figure 1: Insurance Exchanges Overwhelmingly Seen as a Good Idea

As you may know, a health insurance exchange is a marketplace for health insurance which can be accessed both online and in the traditional ways...Having read this, do you believe that such a NYS health insurance exchange is a good or bad idea?*

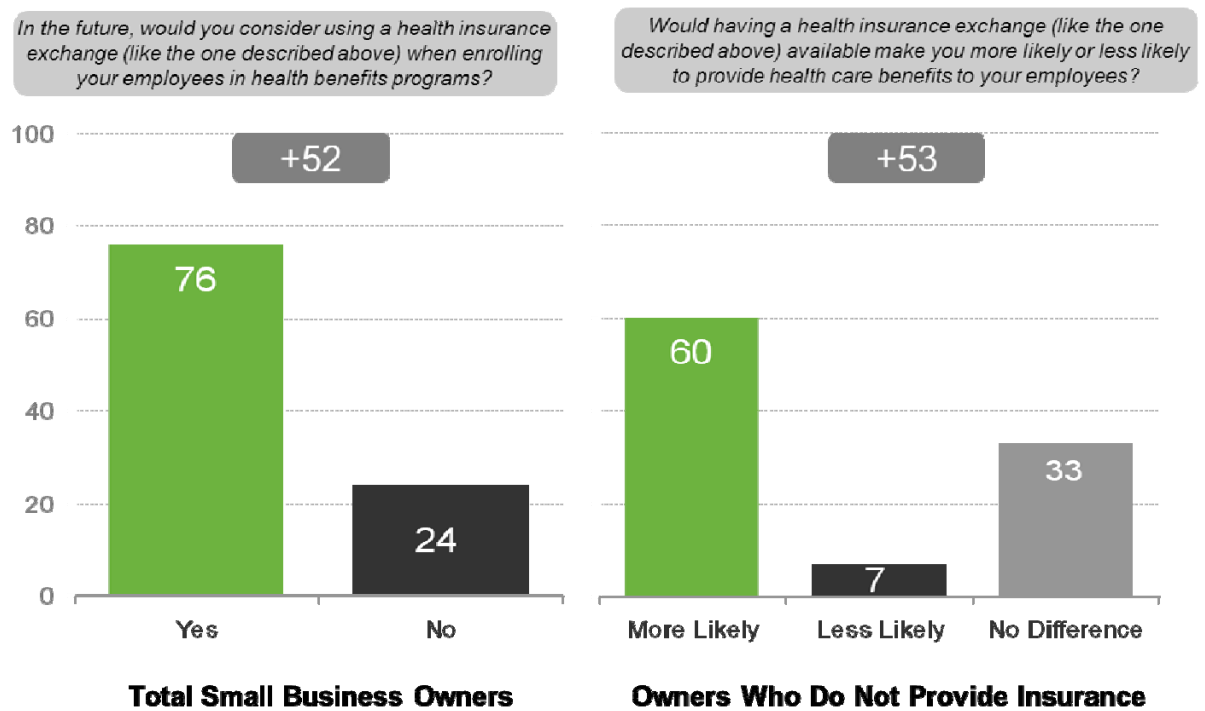


*See appendix for full question text

² These findings are consistent with recent surveys by United Hospital Fund and Kaiser Family Foundation.

- **Health insurance exchanges have the potential to change the health care market place among New York small businesses.** A 76 percent majority of small business owners describe themselves as likely to use health insurance exchanges in future purchasing of employee health benefits, 85 percent in New York City. More striking, 60 percent of businesses that do not currently offer health benefits say they are more likely to offer benefits if a health exchange is available to them.

■ **Figure 2:** Majority of Owners Say They Would Consider Using an Exchange and That it Would Make Them More Likely to Provide Health Benefits



- **Providing choices is important to small business owners.** A 68 percent majority agree with the statement, “Providing my employees a choice of different health care plans is an important consideration to me when thinking about health benefits.”
- **Owners prefer an exchange run by the private sector.** By nearly a 2:1 margin, small business owners prefer an exchange run by the private sector over an exchange run by the government (52 to 28 percent).
- **Nearly half (45 percent) of small business owners prefer to purchase health plans online.** This number reaches 62 percent among small business owners under the age of 50 and 57 percent in New York City.
- Only 33 percent of small business owners understand the federal government provides a tax credit to small businesses that provide health insurance benefits to their employees; a 67 percent majority argue, incorrectly, that no federal tax credit is provided.

Conclusion

Most of the small business owners in our survey are committed to their employees and understand that providing health benefits helps them attract and retain good employees. At the same time, they struggle with both the expense and administrative burden of health insurance benefits. A huge majority of owners, once they hear about health exchanges, understand this new tool can be a means of providing health benefits in an efficient and cost-effective manner.

Appendix

Q.22 As you may know, a health insurance exchange is a marketplace for health insurance which can be accessed both online and in the traditional ways, like through a licensed health insurance broker or agent. The exchange will allow consumers and businesses to shop for health insurance and choose from a broad array of products that are organized in a competitive marketplace that offers employees and individuals a choice of health benefit designs, health insurance carriers, and provider networks. The current New York State health insurance exchange proposals would provide the small business owner with a comprehensive set of "back office" services, that would shift the burden of health benefits administration to the exchange while also supplying employees with personalized support and information to help them maximize their health benefits and ensure they obtain the best care possible under the plan that they have selected.

Having read this, do you believe that such a NYS health insurance exchange is a good or bad idea?