

**HRSA State Planning Grants  
Final Report to the Secretary  
September 30, 2005**

**Finding and Filling the Gaps: Developing a Strategic Plan to  
Cover All Kansans**

**Grantee: Kansas Insurance Commissioner Sandy Praeger**

## **Executive Summary**

In 2000, Kansas was awarded a State Planning Grant which allowed the collection of state specific information about the insurance status of Kansans under the age of 65. In 2001 quantitative data was obtained through a telephone survey, the Kansas Health Insurance Survey. A total of 8,004 households were surveyed. These households contained a total of 22,690 individuals. The sampling plan was constructed to produce meaningful statewide estimates as well as estimates for ten regions on various demographic characteristics. In addition, key informant interviews were conducted with fifty-seven non-elderly uninsured individuals residing in the ten regions of the state. The information gained through these qualitative interviews coupled with the quantitative data yielded a comprehensive picture of the health insurance status of Kansans.

An analysis of the insurance status of all Kansans under the age of 65 revealed that 71.5% of all Kansans have health insurance through a current or former employer; 11.2% have health insurance coverage purchased on their own; 6.9% have health insurance coverage through Medicaid or HealthWave; 3.6% have health insurance coverage through the military, CHAMPUS, or VA; and 1.6% are insured through other government programs (e.g. Indian Health Service, Medicare for the disabled and end-stage renal disease populations). 10.5% of Kansans have no source of health insurance. Regional variation in rates of uninsured populations range from 5.4% in Region 2 to 16.8% in Region 10. Prevalence of employer-based health in Kansas at 67.9% is higher than the 2002-2003 national average of 62.6%. Kansas also has a higher percentage of citizens attaining coverage in the individual market at 7.2% with the national average being 5.3%.

The policy options menu developed by the Steering Committee sought to maximize the use of current state policies that support or promote the number of Kansans who have access to health insurance through the employer-based coverage system. The target population was low-income workers employed by small firms and their dependents because this group encompasses a substantial number of all uninsured Kansans. Attention was paid to those strategies that would provide incentives for more employers to offer coverage and would assist low-income workers to purchase health insurance when it was offered.

Policy approaches the Steering Committee identified as demonstrating the most potential in Kansas for improving access to health insurance for the identified target population (low-income employees of small firms and their dependents) included expansion of an existing small employer tax credit program, implementation of a small business health purchasing pool (Kansas Business Health Partnership) and integrating a reinsurance mechanism, expanding use of the Medicaid Health Insurance Premium Payment Program, expanding

enrollment in the State Employee's Health Insurance Program, extending the age of dependent coverage under family plans, improving enrollment in Medicaid and HealthWave, and expanding Medicaid eligibility. Economic modeling was applied to the various options and take-up rates and costs estimated.

In 2003, the Kansas Department of Insurance was awarded State Planning Grant supplemental funds to secure valuable information about health benefit decisions being made by small employers during the current economic times. An examination of small business' health insurance experience reveals increasing vulnerability in continued provision of health insurance to employees. Kansas employers participating in the 2004 Small Business Health Insurance Survey reported that insurance premiums had increased substantially from 2003 to 2004 with over thirty percent of firms reporting that their premiums rose by 16-25 percent and 28 percent reporting that their premiums rose over 25 percent. More than a fifth of the firms reported that they were considering dropping coverage and nearly three-fifths were planning to increase employee contributions.

The small employer data findings have provided valuable information about health benefit decisions being made by small employers during the current economic times that the Steering Committee is using to construct more detailed policies derived from the original policy menu. The intent of the small employer targeted policies is two fold; preventing erosion of current level of health insurance provision by small employers as well as creating incentives to expand access to health insurance.

The information received through the Small Employer study has reinforced the Steering Committee belief that maximum reduction in the number of uninsured Kansans will best be achieved by combining a variety of the policy options to capitalize on the additive effect the options have on each other. The Business Health Partnership would serve as the mechanism through which small employers could attain affordable, quality health insurance; employers would be encouraged to offer health insurance through a tax credit set at an optimal level; employees would be assisted in payment of their premiums through adequate subsidies; and the dependents of those employees could attain employer-based coverage using public monies. These multiple strategies collectively provide a much more effective approach to improving access to health insurance for small employers and low wage workers. Kansas State Planning Grant activities up to this time have been focused on data generation and using that information to refine the originally selected policies targeted to making health insurance more accessible for low wage employees in small firms.

Federal grants such as those proposed by Representative Johnson to fund state reinsurance pilots would provide startup funds for those states pursuing strategies to stabilize the small employer health insurance market. Also further expansion of existing federal data collection efforts such as the CPS and MEPS-

IC to allow for state regional analysis would assist a state in targeted efforts to reduce the number of uninsured.

## **Section 2. Summary of Findings: Employer-based Coverage**

### **2.1 What are the characteristics of firms that do not offer coverage, as compared to firms that do?**

Analysis of the data collected through the Kansas Small Employer Health Insurance Survey revealed the following characteristics of firms that do not offer health insurance as compared to firms that do.

Number of employees, wages, and education. There were some statistically significant differences between Kansas firms that did and did not offer employer provided health insurance. Firms that offered health insurance averaged nearly twice as many employees as those that did not. Firms that offered health insurance also offered wages that were over \$4,000 higher. In firms that offered health insurance, most jobs were much more likely to require a college degree or post-baccalaureate degree. Not surprisingly, these firms were more likely to report that jobs in their firm required at least a high school degree.

Age, ethnicity, and gender. Other differences were found to be not found to be statistically significant based on the survey. The average age of employees was comparable in both groups of firms. Firms that offered health insurance had fewer employees with less than two years with the firm. There was a nine percent chance that this difference was due to chance. Firms that offered health insurance and firms that did not had similar percentages of female and African-American employees. Firms that did not offer health insurance tended to have a higher percentage of Hispanic employees, although there was a 16 percent probability that this was due to chance.

	Health Insurance		t-test	Chance Probability
	Offered	Did Not Offer		
Number of Employees	15.3	7.8	6.2	0.00
Average Salary of Full-time Employees	\$26,788	\$22,549	27.7	0.00
Average Age of Employees	41.1	41.2	0.1	0.93
Percentage of Female Employees	45.3	44.1	0.3	0.77
Percentage of Hispanic Employees	4.5	7.3	1.4	0.16
Percentage of African-American Employees	2.4	2.5	0.1	0.96
Percentage of Short-term Employees	25.0	31.2	1.7	0.09
Percentage Requiring College or Above	27.4	9.4	4.2	0.00

Percentage Not Requiring High School	9.2	20.6	2.5	0.01
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Urban and Rural Differences. There were also differences between urban and rural small businesses in terms of offering health insurance. Firms in more urban counties (Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, and Wyandotte) were more likely to offer full-time employees health insurance than firms elsewhere. Seventy-eight percent of the firms in these counties offered coverage to full-time employees; 63 percent of firms in other counties did so. There were no meaningful differences in the proportions of firms offering coverage to part-time workers or to family members. Firms in the more urban counties were not appreciably larger than firms elsewhere, but did offer larger salaries (\$27,620 *versus* \$24,007).

For those employers that offered health insurance coverage the preliminary data analysis revealed the following findings.

Eligibility. Most firms that offered health insurance restricted eligibility to full-time employees, but 14 percent reported that all employees were eligible. Sixty-four percent of employees signed up for health insurance when offered. (This may slightly understate the acceptance rate, because not all employees were eligible.)

Employer cost sharing for employees. Employee payments for individual health insurance were usually modest. Seventy-five percent of firms that offered insurance reported that employees paid \$100 or less per month for their own coverage. Half of the firms that offered coverage paid over \$300 per month per employee. Only 5.1 percent paid less than \$100 per month for health insurance premiums for their employees. Just over half (51.4 percent) of the firms that offered coverage required no employee contributions for health insurance. Nearly ten percent required employee contributions of over \$200 per month.

Employer cost sharing for family coverage. Eighty-nine percent of the firms that offered health insurance to their employees also offered family coverage, but employer contributions for these plans were less generous. Thirty-eight percent of firms made no contribution to family coverage, and an additional seven percent contributed less than \$100 per month. Only 25 percent of the firms paid more than \$300 per month for family coverage.

## **2.2 What influences the employer’s decision about whether or not to**

**offer coverage? What are the primary reasons employers give for electing not to provide coverage?**

Reasons for not offering. Cost is the main reason for not offering health insurance. Sixty-six percent of small firms that did not offer health insurance cited this as the main reason why. Only 21 percent said that their employees get coverage from other sources; 61 percent of these firms knew that some of their employees lacked any health insurance coverage. Most other firms focused on the preferences of their employees as to the reason they did not provide health insurance. Nine percent said that employees preferred higher wages, and three percent said that a majority of employees could not afford the premium. Only one percent identified too much paperwork as the main barrier to offering coverage.

**2.3 How do employers make decisions about the health insurance they will offer to their employees? What factors go into their decisions regarding premium contributions, benefit package, and other features of the coverage?**

Qualitative interviews with small employers in two urban and one rural setting revealed that most small employers set aside a given fiscal amount for employee's health insurance and as insurance premiums have continued to rise they have been forced to trade carriers and make changes in benefit designs. The majority of the small employers we interviewed preferred to continue to pay the full premium for employees and to curtail costs they either selected benefit designs that had higher deductibles or covered fewer health care services.

Some employers indicated that their broker advised them on health insurance decisions but the vast majority indicated that the burden of investigating what health insurance options were available fell to themselves.

**2.4 What would be the likely response of employers to an economic downturn or continued increases in cost?**

Vulnerability due to offering health insurance. Employers in our survey reported that insurance premiums increased substantially last year. Thirty percent of the firms reported that their premiums rose by 16-25 percent, and 28 percent reported that their premiums rose over 25 percent. Due to these rising costs, 58 percent of firms said that increases in employee contributions for health insurance were somewhat or very likely. In addition, 21 percent said that they were somewhat or very likely to stop offering health insurance to employees.

Impact on business. The firms in our survey indicated that rising health insurance costs had significant business effects. Sixty-five percent said that they reduced raises or bonuses as a result; 36 percent reduced other benefits; 22 percent reduced hiring; and six percent laid off workers.

**2.5 Question not addressed in small employer quantitative or qualitative research designs.**

**2.6 How likely are employers who do not offer coverage to be influenced by:**

**Expansion/development of purchasing alliances?**

At 96 percent, support for small business pools was overwhelming. The responses of firms that offered insurance and firms that did not were essentially the same for this option.

**Individual or employer subsidies?**

Nearly half of firms favored subsidies for low-income workers. The responses of firms that offered insurance and firms that did not were essentially the same for this option.

**Additional tax incentives?**

Sixty four percent of the survey respondents who did not offer health insurance indicated that they would be more or somewhat more likely to offer health insurance if the government provided financial assistance, such as a tax credit to help them pay for health insurance premiums.

**2.7 What other alternatives might be available to motivate employers not now providing or contributing to coverage?**

Sixty-six percent of the firms supported health savings accounts and 64 percent supported a Medicaid buy-in for children. The responses of firms that offered insurance and firms that did not were essentially the same for these two options.

Seventy percent of firms favored letting small businesses buy into a state government insurance plans. Seventy-six percent of firms not offering health insurance and 67 percent of firms offering health insurance favored this option. Although support was high for both groups, it was significantly higher among firms that did not offer insurance.

Only 29 percent of survey respondents favored expansion of Medicaid to parents of eligible children. The responses of firms who offered health insurance and those who didn't were quite similar.