

**APPENDIX A**

**QUESTIONS ASKED AT FOCUS GROUP SESSIONS**

## Questions for Focus Group: Employers Currently Offering Health Insurance

1. Tell us briefly about the type of business you have, how many employees you have, how long you have been in business, and how many of those years you have offered health insurance.
2. At some point you decided to offer health insurance to your employees. What were the reasons you decided to offer it?
3. Tell us about the process you went about when you first obtained health insurance.
  - a. Did you use a broker?
  - b. What made the process the most frustrating or complicated?
4. Have you considered getting rid of the health insurance benefit? Why?
5. Have you shopped around for different coverage since you first set up the health insurance plan? Why?
6. What is the most difficult thing about offering health insurance?
7. How do you decide what level to contribute or not contribute?
8. What could the State or the Federal government do to make it easier for you to continue to offer health insurance to your employees?
9. The State of Minnesota is thinking about developing something called a health insurance exchange. This would be set up to help small businesses like yourselves make it easier to shop for health insurance and hopefully find a product that you like and is affordable.

Let's look at Handout #1 and go over possible features of the Exchange. Then we want to ask you about specifics of how the Exchange could most help you. [Walk through the first page of Handout #1. Then solicit feedback on the 3 items on the second page of Handout #1.]

9. Now we want to go to Handout #2 and talk about Section 125 or Cafeteria Plans. These types of plans can be used to assist employees in paying for health insurance among other things. [Walk through Handout #2.]

Do any of you have a Section 125 Plan in place now? Why do you think this is beneficial to you or your employees?

Now we would like to get your feedback on whether or not you think Section 125 Plans should be a mandatory or voluntary part of any health insurance exchange that the State develops. [Solicit feedback on statements at bottom of page 2 of Handout #2.]

10. Does the idea of offering a cafeteria plan appeal to you? Why or why not?
11. What ideas do you have about how the State can educate the public about either the health insurance exchange or Section 125 plans?

## Questions for Focus Group: Employers Currently Not Offering Health Insurance

1. Tell us briefly about the type of business you have, how many employees you have, how long you have been in business, and how many of those years you have offered health insurance.
2. You have all indicated to us that you currently do not offer health insurance through your business. What are the reasons you decided not to offer it?
3. Did anyone offer health insurance in the past? Why did you drop it?
4. Have any of you looked into obtaining health insurance for your employees? Tell us about the process you went through.
  - a. Did you use a broker?
  - b. What made the process the most frustrating or complicated?
5. What could the State or the Federal government do to make it easier for you to offer health insurance to your employees?
6. The State of Minnesota is thinking about developing something called a health insurance exchange. This would be set up to help small businesses like yourselves make it easier to shop for health insurance and hopefully find a product that you like and is affordable.

Let's look at Handout #1 and go over possible features of the Exchange. Then we want to ask you about specifics of how the Exchange could most help you. [Walk through the first page of Handout #1. Then seek feedback on the 3 items on the second page of Handout #1.]

7. Do you think that something like a health insurance exchange would give you a reason to reconsider offering a health insurance benefit to your employees? Why or why not?
8. If you would reconsider offering, would you consider offering any contribution to cover the premium? How much?
9. Now we want to go to Handout #2 and talk about Section 125 or Cafeteria Plans. These types of plans can be used to assist employees in paying for health insurance among other things. [Walk through Handout #2.]

Do any of you have a Section 125 Plan in place now? Why do you think this is beneficial to you or your employees?

Now we would like to get your feedback on whether or not you think Section 125 Plans should be a mandatory or voluntary part of any health insurance exchange that the State develops. [Solicit feedback on statements at bottom of page 2 of Handout #2.]

9. Whether or not you decide to offer health insurance to your employees, does the idea of offering a cafeteria plan appeal to you? Why or why not?
10. What ideas do you have about how the State can educate the public about either the health insurance exchange or Section 125 plans?

## Questions for Focus Group: Insurance Agents

1. Tell us briefly about how long you have been a broker, what areas you serve, the portfolio of what you sell, and who are the majority of your customers.
2. What would you estimate is the rate of inquiries from small businesses about obtaining a health insurance plan to actual signed contracts?
3. Among your small business customer base, what would you estimate is the percentage of customers that want you to shop for a new health insurance product at each renewal period? Do you think that this would change if health status was removed as part of the criteria for setting premiums?
4. Do you have many small business owners drop health insurance completely each year due to the premium hikes? At what rate would you estimate this occurs?
5. What are the kinds of frustrations you hear from small business owners about continuing to offer health insurance?
6. What is your assessment of the availability of affordable health insurance products in Minnesota? Cite any urban/rural differences.
7. Who pays you and how much variability is there in payment across carriers?
8. What could the State or the Federal government do to make it easier for small businesses to offer initially or continue to offer health insurance to employees?
9. The State of Minnesota is thinking about developing something called a health insurance exchange. This would be set up to help small businesses and possibly individuals make it easier to shop for health insurance and hopefully find a product that is affordable and meets their needs.

Let's look at Handout #1 and go over possible features of the Exchange. Then we want to ask you about specifics of how the Exchange could be most helpful to you to encourage small business owners to purchase health insurance. [Walk through the first page of Handout #1. Then seek feedback on the 3 items on the 2<sup>nd</sup> page of Handout #1.]

9. Do you think that something like a health insurance exchange would help you you're your job and get more clients? Why or why not?
10. Do you perceive a health insurance exchange, as laid out here, is a threat to your business? Why or why not?
11. Now we want to go to Handout #2 and talk about Section 125 or Cafeteria Plans. [Walk through Handout #2.] Do any of you offer Section 125 Plans as part of your portfolio? What is the take-up rate among small business owners? Why do they decide to offer or not offer it?
12. Now we would like to get your feedback on whether or not you think Section 125 Plans should be a mandatory or voluntary part of any health insurance exchange that the State develops. [Solicit feedback on statements at bottom of page 2 of Handout #2.]
13. What ideas do you have about how the State can educate the public about either the health insurance exchange or Section 125 plans?

**APPENDIX B**

**HANDOUTS DISTRIBUTED AT FOCUS GROUP SESSIONS**

## HANDOUT #1

### Possible Features of a Minnesota Health Insurance Exchange Plan

- Available to small businesses and to individuals who do not have access to insurance through their employer
- Groups individuals together to lower premium costs for everyone
- Health status of individuals is taken out of calculation for setting premiums, so a small group's premium would not change if an employee got sick. Age of small group members or geography may still be a factor in premium pricing.
- Small businesses would not be required to offer health insurance as a benefit or to contribute towards coverage.
- If small businesses do offer health insurance, there would be no minimum participation requirements.
- If individuals sign up on their own, they can keep the same insurance even if they change jobs.
- Facilitated by the State of Minnesota but not a government agency (would be constructed as a not-for-profit entity not owned by any individual insurance company) and managed by a Board that cannot include insurance company employees
- State funds would support the initial implementation, but ongoing costs could be covered by a small surcharge on each premium (estimated at < 1% of total premium) sold through the Exchange.
- May supplement or work in tandem with existing insurance brokers

Let us know your thoughts on the importance of these possible features:

1) Mandated Requirements

- a) The Exchange could set benefits or caps for out-of-pocket expenses for individuals (e.g. co-pays and deductibles not to exceed \$5,000 per person per year). OR
- b) The Exchange should let the market (insurance carriers) dictate what is a “bare bones” plan.

2) Pre-Screened Offerings

- a) The Exchange could require health insurance companies to bid on products defined as high coverage, medium coverage, and low coverage options. In Massachusetts, they call these “Gold”, “Silver” and “Bronze” plans. Small business owners can compare prices knowing benefits are “apples to apples”. OR
- b) The Exchange could allow health insurance companies to propose a variety of products to include in the Exchange in the same manner that is done in the marketplace now.

3) Options Available to Small Business Owners- Who Picks the Insurance Product?

- a) Small business owners could set a defined contribution amount and employees could select their own benefit package from the Exchange. OR
- b) Small business owners may select more than one plan for their staff, depending upon certain criteria. OR
- c) Small business owners must select only one plan for all staff members.

## HANDOUT #2

### Features of Section 125 (“Cafeteria”) Plans

- NOT HSAs (Health Savings Accounts) which are associated with catastrophic health insurance plans. A Section 125 Plan enables employers to offer employees various fringe benefits on a pre-tax basis, including:
  1. Health insurance
  2. Contributions to health savings accounts
  3. Group term life insurance
  4. Accidental death and dismemberment insurance
  5. Disability insurance
  6. Dependent care (day care)
  7. Flexible spending accounts
- *Our focus here* is related to employers who can set up a Section 125 Plan to handle just the health insurance payments and not other benefits.
- Employers do not have to offer health insurance to implement a Section 125 Plan.
- Employers get the benefit of not paying FICA/Medicare taxes on the amount that is withheld from employee’s paychecks for Section 125 Plans. Employees get the benefit of using pre-tax dollars to pay for health insurance (see next page).
- Most payroll services are well-informed and work with businesses on handling Section 125 deductions.
- Estimates can vary, but startup costs to implement a Section 125 can be as low as \$300, meaning it takes about 2-3 people to recoup the employer’s costs.
- The Exchange or insurance brokers can help with set up.

### How It Works

- 1) Once a year, employees declare how much they want taken out of their paycheck to go into their cafeteria plan. An equal amount is taken out each pay period.
- 2) When employees incur expenses that can be paid out of the cafeteria plan, they submit this expense to their employer (e.g. health insurance premium bill, day care bill) after they have already paid for it.
- 3) Employers then reimburse employees the money they spent out of the employee’s own cafeteria plan account.
- 4) Any unspent money in the employee’s account stays in the company’s cafeteria plan and can be used by the plan for other purposes (e.g. administrative costs, paying other employee’s expenses).

### Example of Tax Benefit to Employer and Employee

The example below illustrates if an employee participated in a Section 125 Plan and just had money withheld from the paycheck to cover the amount they had to contribute towards health insurance.

	<b>With Plan</b>	<b>Without Plan</b>
Employee's Adjusted Gross Income	\$50,000	\$50,000
Annual Pre-Tax Health Insurance Contribution	\$2,100	\$0
Taxable Income	\$47,900	\$50,000
Estimated Taxes (FICA, Federal, State)	\$11,880	\$12,676
Annual After-Tax Health Insurance Contribution	\$0	\$2,100
Net Take-Home Pay	\$36,020	\$35,224
Additional Money to Employee	\$796	
FICA Savings for Employer	\$161	

The Exchange could also facilitate small businesses in developing Section 125 Plans. Let us know your thoughts about the use of Section 125 Plans from the following statements:

- (1) Any small business must offer the Section 125 benefit to their employees (enables employees to make their share of health insurance contributions with pre-tax dollars) OR
- (2) Any small business with 10 or more employees must offer the Section 125 benefit
- (3) No requirement of employers to offer the Section 125 benefit