Muskie School of Public Service

Maine Employer Experience and Perceptions Related to Providing Health Insurance

Summary Report

2003

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UNIVERSITY OF SOUTHERN MAINE

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SOUTHERN MAINE
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Executive Summary

This report presents findings from four small business employer focus groups and key informant interviews with representatives of nine large businesses. The intent in conducting the focus groups and interviews was to better understand recent business experience in Maine in the insurance market and to orient policymakers to the impact – from a business perspective – of a variety of reform strategies.

Approach: Research staff from the Institute for Health Policy of the Muskie School, University of Southern Maine, organized and conducted the focus groups. Two focus groups were held with employers who currently offer coverage and two with employers who do not currently offer coverage. Project organizers sought out businesses with 50 or fewer employees. The focus groups were held in Bangor, Oxford/South Paris, Portland, and Presque Isle. A total of 33 employers participated who employed, in total, 342 full-time workers and 79 part-time workers.

The interviews with representatives of large businesses were conducted by two senior research staff from the Institute for Health Policy. All interviews were based on a semi-structured questionnaire covering many of the same topics as the focus groups.

Findings: Employers of both large and small businesses found recent cost increases in health benefits to be problematic; almost all had made recent changes to health benefits programs in response to costs; and most considered the issue of rising health care costs to be one that merits attention from state policymakers.

- Focus group participants and large business representatives expressed broad agreement that health benefits are crucial for attracting and maintaining employees in a competitive labor market.

- Actions by small businesses to respond to increasing premium costs included: increasing deductible levels and employee premium contributions, reducing benefits, and requiring employees to choose

between maintenance of current benefit levels or annual pay increases.

- Strategies among large employers included many of the same introduced by small employers. In addition, many large employers had implemented programs intended to improve employee health, such as company-sponsored wellness programs, EAPs, and case management of chronic illness.

- When asked to state preferences, employers of both large and small businesses looked favorably on benefit limits and cost sharing as strategies to hold down premium costs. Response was mixed toward managed care strategies.

- There was substantial disagreement among participants and interviewees regarding the role for government in managing cost and access issues. Among small employers, opinions ranged form support for a single-payer coverage system to replace employer benefits – to support for total deregulation of the insurance industry. The representatives of larger businesses tended toward a more moderate stance – citing specific regulatory changes that would be supported.

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INTRODUCTION

In August, 2002, Maine's Department of Human Services (hereafter, the Department) was awarded a State Health Planning Grant from the Health Resources and Services Administration of the federal Department of Health and Human Services. One of the primary purposes of the grant was to support collection and analysis of data from across the State of Maine for the purpose of planning effective strategies to reach the goal of universal health coverage in Maine.

As a part of this data collection and analysis strategy, the Department contracted with the Institute for Health Policy of the Muskie School of Public Service, University of Southern Maine, to conduct key informant interviews with representative large business executives and focus groups with representatives of small businesses from across the State.

Background

Employer-based health insurance plans provide coverage for 60 percent of Maine's under age 65 population. The affordability of this employer-based system, for both companies and their workers, may be in jeopardy because of recent significant increases in health insurance premium costs. To the extent that an employer absorbs premium increases, the company's profitability is compromised and the cost of doing business in Maine is exacerbated. If premium increases are passed on to employees as higher payroll deductions or reduced benefits, the incidence of uninsured or underinsured citizens may increase.

These trends have had a particularly pronounced impact on businesses of fewer than 50 employees. Unlike larger companies, small businesses have fewer options to manage rising health care costs. Self-funded and experienced-rated benefit plans are not available to small businesses. The higher administrative costs to insurers and the greater likelihood of adverse risk selection in the small group market are reflected in higher premium rates. In addition, because of the smaller size of the risk pool, a business with an employee or covered dependent who experiences a serious and costly illness can see exorbitant rate increases upon renewal.

These market dynamics are particularly troublesome in Maine which has a disproportionately large number of small businesses, employing more citizens than is the case in many other states. In addition, Maine has a relatively low wage base, with Maine standing as 42nd among states in the nation in average household income.[1] Between 2000 and 2002, average family premiums in the small group market in Maine rose 50 percent to more than $9,800 per year.[2] Average family premiums are now more than 25 percent of average household income.

Purpose

The intent of conducting focus groups and interviews with representatives of small and large businesses was to better understand recent business experience in the insurance market, business perceptions of the challenges in obtaining or maintaining workplace health benefits, and to orient policymakers to the impact – from a business perspective - of a variety of potential reform strategies. More specifically, the objectives of these discussions included:

- Determining the importance of health insurance coverage for the business and its employees for employee recruitment, retention, and other purposes.
- Determining the factors that drive current decision making as to health insurance coverage arrangements.
- Perceptions as to how government might assist businesses in providing health insurance coverage.
- Identifying acceptable trade-offs among broad policy choices for benefit coverage arrangements.

Approach

Focus groups and key informant interviews are qualitative research tools that provide an opportunity to collect richly detailed information about complex topics. Findings from focus groups and interviews cannot be generalized to a larger population because of the small number of participants and the non-random methods of selection for participation. The value from these data

[1] Kaiser Family Foundation State Health Facts: http://www.statehealthfacts.kff.org (accessed 12/04).
[2] National Medical Expenditure Panel Survey Reports for 2000 and 2002.

collection strategies, in addition to the depth of detail, is the opportunity these forums provide to probe for the underlying reasons and attitudes that lead to positive or negative feelings and responses of participants. In policy research intended to support legislative initiatives, this understanding of the likely positive and negative reactions to reform options is particularly important.

Small Business: Research staff of the Institute for Health Policy of the Muskie School of Public Service, organized and conducted the focus groups. Four focus groups were convened including two with employers who currently offer coverage and two with employers who do not currently offer coverage. Businesses with 50 or fewer employees were solicited for participation. The focus groups were held in four different locations to assure broad geographic representation and to assure that both urban-based and rural employers participated. Table 1, below, shows the location and composition of the focus groups.

Table 1
Location of Small Business Focus Groups

	Don't offer insurance	Offer insurance
Urban	Bangor	Portland
Rural	Oxford/South Paris	Presque Isle

A project assistant was employed to work exclusively on recruitment for the focus groups. The recruitment strategy in each location started with inquiries to local Chambers of Commerce, local legislative representatives, and key business or civic leaders, where these were known. From these initial inquiries, a snowball technique of following additional leads was used until sufficient contacts were identified and willing participants recruited. The preset target was to have ten employers per focus group.

A senior research staff member from the Institute for Health Policy facilitated all four focus groups, insuring continuity in questions and approach. In each case, the facilitator worked from a semi-structured question guide designed to cover the range of topics of interest. The sessions were all audio-taped with the permission of participants. In addition, at least one additional research staff member observed each session and took detailed notes.

Project staff collected basic workforce and, where appropriate, health insurance information from each group through brief written questionnaires distributed prior to the start of the focus group session. Definitions of common terms were distributed to assure consistent understanding of key terms. The semi-structured question guide was modified, as appropriate, for the group based on whether the participating companies were insuring or non-insuring businesses. Each session concluded with the distribution and discussion of a list of broad policy and benefit plan trade-offs with regard to costs, access and scope of coverage.

A list of participating companies at each location and the distributed materials are included in an Appendix to the report.

Large Businesses: Individual interviews were also scheduled with 9 of the largest employers in Maine. Most of these employers represent private enterprises, and two represent large public employers. Branches of national companies where benefit decisions are made elsewhere were excluded. The Superintendent of Maine's Bureau of Insurance was also interviewed to gain both an overview and a regulatory perspective on the health insurance market in Maine. These interviews were conducted by two senior research staff from the Institute for Health Policy. All interviews were based on a semi-structured questionnaire very similar to the one used for the small business focus groups. Because these interviews were one-on-one, the discussions in some of the sessions ranged widely across topics of health reform in Maine. A list of the companies that were interviewed is included in the Appendix.

FINDINGS FOR SMALL EMPLOYERS

A summary of the workforce characteristics of focus group participants is presented in the Table 2.

Table 2
Small Employer Focus Groups
Characteristics

	Don't Offer Insurance	Offer Insurance (pct insured)**
Number of Businesses	15	18
Total FT Employees	38	304
Single	11	175 (69%)
Family	27	129 (78%)
Avg # of FT Es/Business	2.5	16.9
Total PT Employees*	41	38
Single	24	31 (3%)
Family	17	7 (25%)
Avg # of FTEs/Business	2.7	2.1

* Defined to be working less than 32 hours/week
**Not all companies reported specific coverage levels. Percentages based on only those companies that did report this information. These percentages applied to total number of employees reported above.

The decision to offer

Focus group participants expressed wide-spread agreement that health benefits are crucial for attracting and maintaining employees in a competitive labor market. Several of the employers who were not currently offering a company benefit plan, had done so in the past, and expressed regret over not being able to maintain employee health benefits. This sentiment is notable because employment is depressed in many areas of Maine, and some participants indicated that health insurance is a valued benefit even in less competitive labor markets. Comments heard from participants included:

- I offer insurance to compete.

- I need the loyalty of my workers.
- I think it is instrumental in keeping our employees…they could go elsewhere and the health insurance has kept them around.

Other reasons put forward for the decision to offer were a reduction in absenteeism and perceived trade-off with Workers' Compensation insurance costs. One rural employer stated that prior to securing a health plan, his workers' compensation rates went up because his employees would use workers' compensation insurance as a substitute for health insurance. A Portland-based employer illustrated the perceived connection between health benefits and reduced absenteeism, stating:

- I have a young single mother with two children…if her kids are sick, she can't work for me…If she can't get them medicine, she's useless to me…I can bring her in and sit her at a desk, but if her kids are sick at home and they are not getting treatment, I am not going to get a day's work.

A final reason for offering coverage put forward by several employers was a sense that this was an obligation of business - "It's the right thing to do." Even among non-insuring employers, none put forward a view that health benefits are an inappropriate burden on employers. Reasons for not offering coverage were either the lack of affordability of health insurance or factors such as very high turnover in the workforce or employees with coverage through spouses.

Focus group participants almost uniformly demonstrated a close familiarity with the health insurance arrangements of their employees. They knew who was covered, how they were covered (i.e., through a spouse, MaineCare, etc) and how dependents were covered. In the case of a number of employers who did not provide health benefits, they did so believing that they could avoid offering health insurance without jeopardizing their employees.

Cost: The cost associated with providing health insurance coverage was, far and away, the dominant concern expressed by all focus group participants. Those employers who currently provide health benefits expressed almost universal concern about their continued ability to maintain coverage if recent cost trends continue. Employers who do not provide coverage cited cost most

frequently as the reason. Participants reported recent premium increases in the neighborhood of 50 and 60 percent. One employer who had recently dropped coverage when the premium rose to $1500 a month, stated, "You might as well be paying for another house."[3]

Health benefits were highly valued by most participants (see discussion under The Decision to Offer, above). Consequently, many of the small businesses reported continuing efforts to absorb increasing health care premium costs. Strategies included introducing more cost sharing in the benefit plan, usually through increased deductibles, or reductions in scope of benefits. One employer reported laying off a worker as a necessary response to increased health benefit costs. More frequently, employers limited their premium contributions and shifted more of the cost to employees. Employers frequently mentioned that, in the past, they had contributed to family coverage but now contributed only to employee coverage. While transferring costs to the employees effectively reduce the employer's financial burden, it was recognized as a potentially self-defeating strategy. As employee costs increase, there is greater likelihood that workers will decline coverage. A smaller group size triggers an increase in premium rate. If participation dips below levels required by the insurer, carriers often refuse to underwrite the company.

The small business participants explicitly pointed to rising health care costs as a barrier to business growth in Maine. As one employer put it:

- When health benefits almost double your cost of bringing on an entry-level, low-wage worker, you really have to think twice about expanding your business.

Business size: The data in Table 2 reinforces the established association between size of business, as measured by number of full-time employees, and the likelihood that a company will have a health benefits plan. The average number of full-time employees among insuring businesses was 16.9, compared to 2.5 for the non-insuring businesses. However, the businesses without coverage had more part-time workers. Employers are less likely to include part-time employees in benefit programs or to pro-rate their employer

[3] This remark is not hyperbole. National MEPS data for 2002 show that average family premiums for employer based coverage in Maine are more than 25 percent of median household income in Maine.

contributions. In addition, insurance companies are frequently reluctant to underwrite part-time workers, particularly in small establishments, because of the greater risk of adverse selection and higher administrative costs. One or two participants indicated that they provided a stipend to employees who did not elect health coverage (to create equity of benefits among employees) but this practice did not appear wide spread. The minimum participation rates required by insurers in the small group market create incentives for employers to encourage, rather than discourage employee participation.

Interestingly, the comments from employers indicated that causation in this relationship between business size and health benefits moves in both directions. On the one hand, some small business participants indicated that they were inclined to recruit part time, temporary or contracting workers as a means to avoid incurring health insurance costs to the business. On the other hand, some of the focus group participants also indicated that lack of health benefits was instrumental in determining the size and mix of employees. One participant commented that his business could not grow and add employees because health insurance was not provided. Another participant acknowledged that, without health insurance, his company was clearly disadvantaged in recruiting and retaining good employees.

Type of employment: When discontinued coverage arrangements were taken into consideration, most small businesses represented in the focus groups either were or had been covered under some health insurance arrangement. The notable exceptions were businesses with predominantly low income, low skill workers, as well as very young employees. These companies placed less importance on health insurance for recruiting and retaining employees because they traditionally experience high job turnover rates for a variety of reasons unrelated to coverage. One participant stated bluntly:

- Mine's a filthy, nasty, hard, business to be in…If I keep an employee for six months to nine months, it is a wonderful thing.

Another factor that affected coverage decisions in businesses with low-wage and part-time work was availability of Medicaid coverage. Some of these workers and many of their children had Medicaid coverage, making an offer of employer-based coverage less compelling.

Benefit decisions within the firm: Both businesses that did and did not provide health insurance were generally aware of their employees' coverage status. Even in businesses as large 40 or 50, the employers in the focus groups were very conscious of the profile of their workforce in terms of age and family needs (as well as income) and indicated, from their discussion, that they took these factors into account in making decisions regarding health benefits and the level of the company contribution. Several participants noted, particularly among those businesses without health coverage plans, that some hiring decisions were influenced by whether the applicant had coverage through an arrangement outside of the company. These arrangements included coverage through a spouse, Medicare coverage and MaineCare[4]. For the business that provided health insurance, such arrangements represent cost avoidance, particularly if the applicant had a family. For businesses who did not offer coverage, the applicant was likely to be a more stable employee.

Many of the participants indicated that decisions about changes to the health plans, at the time of contract renewal, were made in consultation with their employees. Some said that employees were explicitly offered a choice between maintenance of current coverage arrangements or an annual salary increase.

Attitudes Toward Reform of the Health Care System

While none of the focus group participants was in a health related business, many were extremely knowledgeable about the complex issues that drive health care costs. Participants referenced cost shifting caused by insufficient reimbursement by certain payers as well as bad debt and charity care, inappropriate utilization of services – driven by providers as well as consumers – poor lifestyle behaviors and the absence of a competitive marketplace for many services in Maine. Many were particularly concerned with the small number of insurance companies operating in Maine, feeling that the lack of competition has been instrumental in encouraging premium increases.

Many participants were aware of reform options under consideration by legislators or being advocated by various stakeholder groups. Some of the focus

[4] Some companies noted employees accessing workers compensation for health insurance coverage if the need for health care services could be plausibly linked to a workplace event or injury.

group facilitator's listed options for system reform were agreed to by most participants. For example, reducing malpractice awards was cited with little dispute. In addition, many of the participant employers strongly endorsed incentives, both positive and negative, encouraging consumers to take greater responsibility for maintaining a healthy lifestyle. Many, for example, thought premium discounts for non-smokers (and, conversely, mark-ups for smokers) were appropriate.

A level of cynicism was also expressed at all meetings with regard to the role of doctors, hospitals and insurance companies. Hospital advertising was criticized as an inappropriate expenditure by not-for-profit institutions. Participants suggested that Maine hospitals and doctors make too much money and had little incenitve to be proactive in trying to reduce health care costs. Similar sentiments were directed toward the small number of insurance companies that are currently operational. There was a general perception that insurance companies have little motivation to control costs and a widely held view that these companies' profits are excessive.

There was far less agreement as to the constructive role that government can play in assuring affordable health care insurance. Mandated benefits, community rating, and underwriting regulations were offered by some participants as vivid examples of how government (referring usually to the State) contributes to high health care costs. In the opinion of these business owners, the benefits of reduced government regulation would include more health insurance choices, lower premium costs and more coordinated and voluntary planning by hospitals. These positions were usually advanced within the context of how "tough" it is to do business in Maine and other, non health, examples were often cited.

In contrast, other participants suggested that only government (referring to State as well as federal) can effectively address sky rocketing health care costs. These opinions generally supported more government oversight in order to reduce bad debt and charity costs, improve administrative efficiency and more effectively regulate providers. For some participants, the logical and reasonable extension of more government involvement was a single payer system.

Opinions on Structured Trade-offs

Focus group participants were asked to discuss and indicate preferences on a series of structured trade-offs between less or more expansive coverage and cost. The trade-offs presented to each group were the following:

- Holding scope of benefits constant (and assuming a comprehensive benefit package), participants were asked to choose between lower copayments and deductibles with higher premiums or high out-of-pocket costs with lower premiums.

- Holding benefits *and* out-of-pocket payments constant, participants were asked to choose between lower premiums with a limited provider network or unrestricted choice with higher premiums.

- Holding premium costs constant, participants were asked to choose between unrestricted choice with high deductibles and copayments or a restricted network with lower out-of-pocket costs.

- Holding premium costs constant, participants were asked to choose between a catastrophic health plan with very high front-end cost sharing, or coverage for preventive and routine health care costs with a limited hospital benefit and cap on total benefits.

No clear consensus emerged among small business employers during discussions of the benefit plan trade-offs. In general, and consistent with recent purchasing trends, participants were more likely to favor high cost sharing policies over first dollar coverage arrangements in order to moderate monthly premium levels. Some small companies suggested a catastrophic insurance plan coupled with "wellness" programs would reflect an appropriate balance between investment and financial protection. However, there were some participants who complained that it was difficult to get high employee participation with high deductible plans because of the sense among workers that they were not getting any "value" from their premium dollar.

The discussion groups expressed less certainty as to the merits of select provider contracting as a strategy for moderating cost. Participants in rural

areas were more resistant to the concept than small businesses in Portland and Bangor. These employers expressed concern that limited networks would preclude treatment from highly trained specialists, when needed. As one rural participant stated, "I want to be able to go to Boston for a consultation or treatment if something comes up that the hospital here can't handle." Consequently, rural participants were prepared to accept larger cost sharing arrangements in order to preserve flexibility in accessing different providers. Participants universally agreed that the success of a select provider arrangement would depend on the quality of the identified providers, but disagreed as to whether they were willing to trust an insurer to put together a quality network.

Presented with a choice between catastrophic coverage and a capped benefit limited to routine and primary care coverage, most participants expressed a preference for catastrophic coverage (again, reflecting current market dynamics), commenting that their highest concern was protecting their assets. Some respondents pointed out, however, that among employees, preference was likely to be affected by age and income. One respondent referred to the idea of a very high deductible plan as "class warfare," stating that for individuals with the discretionary income to pay high deductibles, such a plan was clearly preferable, but many low wage workers would face substantial hardship if they incurred a high level of debt due to illness. Another commented that for the young and healthy, lower premiums in exchange for higher deductibles was a preferred choice, but for older workers who routinely use more medical care, a high deductible policy was less attractive.

Many employers, in all four focus groups expressed considerable interest in strategies that created incentives for or encouraged preventive behaviors on the part of employees. In the most conservative group, this perspective translated into a desire to dismantle small group market reforms and revert to insurance pricing strategies that reflect health risk status and prior utilization. One employer drew an analogy with automobile insurance, stating, "If you are a good driver, your car insurance is lower." Even when pressed by the facilitator on price differentials for illnesses that are not caused or influenced by personal behaviors, this group maintained a preference for experience-rated premiums.

In other groups, the interest in prevention translated into two types of suggestions. The first was a desire to see preventive services, such as "check-ups" and screening tests covered, even under high deductible policies. (Plan

riders for a schedule of preventive services are currently being marketed along with catastrophic coverage policies by some insurers in Maine's small group and individual markets.) Second, a number of employers suggested increasing premiums for smokers. One employer suggested he would like to be able to say to his employees, "Look, Joe, you're too fat. You smoke. You drink too much. We are not going to insure you. You have to start taking better care of yourself – then we will start taking care of you."

Many of the employers had taken steps already, to respond to escalating costs. In addition to the traditional strategies of reducing benefits and increasing employee cost sharing some employers reported innovative approaches. Several employers, for example, had switched to high deductible health plans, but "self-insured" the deductible amount for their employees, sharing unused company funds set aside for medical expenses with employees at year's end, to create incentives for reduced medical care use.

FINDINGS FROM LARGE EMPLOYERS

An underlying conservatism often characterized the perceptions and approach described by large companies in providing and financing health insurance benefit plans. With multiple locations and different employee needs, these companies were less inclined to do anything too drastic; one company representative noted that "health care is too complicated". In addition, these employers have less ability than small employers to "custom tailor" their benefit plans to the makeup of their workforce, since they have a larger, and more demographically diverse employee groups. In unionized businesses, health plans are negotiated, not subject to unilateral decision-making, placing further constraints on rapid or comprehensive change. Furthermore, the large companies have resources that allow them to approach change with study and deliberation, while small employers may face immediate cash flow crises requiring quick adjustments.

Most respondents described health insurance as prerequisite for competitive recruitment and retention of employees. Employees expect the benefit and many would consider employment absent health benefits unacceptable. A number of large employers in Maine recruit nationally for management and professional positions. Thus, the labor market in which they compete is national, and the benefits available through similarly situated employers around the country are the standard of comparison. Employee satisfaction as well as company responsibility were other reasons noted for providing coverage.

Part time employees who were not eligible for coverage as well as those who voluntarily decline coverage represent between 10 and 30 percent of the workforces at the companies interviewed. As was the case with small businesses, large employer representatives believed that these individuals typically have insurance coverage through some other arrangement. Some large companies provide additional compensation to employees who do not enroll in the health plan if the employee can demonstrate adequate coverage arrangements elsewhere.

Responses to Cost/Benefit Trade-offs

Similar to the small business participants, large employer representatives identified rising health care costs as the biggest challenge confronting their

companies, particularly if the company extended coverage to pre-age 65 retirees. However, because of underlying cultural philosophies and business imperatives, there was little consensus on strategic responses.

Many benefit managers predicted a move to more employee cost sharing both of monthly premium expenses and deductibles and co-payments. One company had introduced a high deductible plan at no monthly premium cost for employees as a strategy for attracting younger and generally healthier workers into the risk pool. A number of companies mentioned consumer driven health plans, under Section 105 of the IRS code, as an increasingly attractive approach to cost sharing with employees.

In contrast, other companies noted that any diminution in benefit coverage was likely to reflect poorly on the company and generate employee hostility. These companies were committed, at least for now, to comprehensive coverage and were more interested in alternative cost management strategies rather than cost shifting to employees. Finally, demographics and by association, industry type, were an important consideration. Health insurance costs were less of a priority for companies with younger workforces.

The schisms among large employers were reflected in responses to the broad policy trade offs presented to respondents. Generally, companies indicated that protection against financial insolvency is the most important function of health insurance. However, when asked to prioritize among lower premiums, comprehensive benefits and free provider access, there were significant differences in opinion that reflected both corporate philosophy as well as conditions specific to a company's own workforce. For example, one company noted that in the rural area where most of its employees resided, the absence of doctors and hospitals made moot the issue of select contracting.

When compared to small businesses, larger companies clearly have a very significant array of tools at their disposal as well as the expertise reflected in dedicated professionals who can evaluate and implement different management strategies. Most interviewed companies were self insured, relieving the company, unless it elected to do so, from providing certain mandated benefits. Those companies which still purchased health coverage on a fully insured basis reported that they were actively investigating self funding. Medical savings accounts (Section 125), flexible benefit type plans and closer attention to plan

administration were all listed as ways that companies have recently used to better manage their medical plans.

More effective management of pharmacy benefits was mentioned by a number of companies as an area of priority in recent years. Reflecting the capacity of larger companies to innovatively address an issue, one respondent described a formal drug buying program in Canada that the company had organized.

A variety of different, non-insurance based approaches were also used to varying degrees by all companies interviewed. These included fitness and wellness programs, employee assistance plans (EAP), case management and disease management. Consumer education programs were also described; both traditional programs, like smoking cessation, as well as educational programs aimed at helping employees and their families to better and more effectively use the benefit plan that was provided. Health education services extended to on-site preventive and acute care. One employer had found that the introduction of on-site physical therapists had been very effective in reducing utilization for certain musculo-skeletal conditions. A number of companies are examining contractual opportunities with high performance provider networks.

A number of respondents emphasized that the effectiveness of these interventions were very data driven. Without good information, it was impossible to make the business case for initiating a program as well as evaluate results. While claims data are typically the informational resource for many of these programs, limits on the reliability and validity of these data, particularly to support clinical (rather than financial) interventions, were recognized.

Attitudes toward State Policy Options

Almost all respondents were skeptical and resistant to the concept of a government sponsored, single payer system as a long term solution. Problems caused by HIPAA compliance and inadequate provider reimbursement by government payers were referenced as examples of government activity which has significantly exacerbated employer problems in the health care system. Notwithstanding this general sentiment, at least one company emphasized that, given the existing concern with the continued viability of the private, employer-based system, "no suggestions or approaches should be taken off the table."

Still, there was a nearly unanimous commitment to attempting to preserve the employer-based system of health care insurance.

In lieu of a government sponsored system, respondents favored approaches which increased consumer engagement and accountability (such as higher deductible plans) and encouraged savings (Medical IRAs and Section 105 accounts). This sentiment was very consistent with the evolving changes in company benefit programs described earlier. And not surprisingly, reduced government regulation was also noted by a number of respondents, with specific reference to current health plan network requirements to meet patient travel distance and time limits under Rule 850. Limiting mandated benefits and allowing increased competition in the insurance market were also suggested.

While most respondents expressed interest in high risk pools and a single payer, universal catastrophic health plan, the overwhelming consensus was that more information and a better understanding of these approaches were needed before these strategies could be embraced.

Government oversight of health care providers, however, was viewed more favorably. Better resource allocation through state planning and strengthened certificate of need processes were proposed by a number of respondents.

CONCLUSIONS

The employers of both large and small businesses who participated in this information gathering effort were close to unanimous in seeing the rising costs of health benefits in Maine as a problem requiring adjustment in company practices and an issue that merits attention by policymakers. Most employers have already instituted incremental changes in their benefit plans in response to rising costs. The strategies employed by the small business employers we talked to ranged from dropping health insurance as a company benefit, altogether, to reducing the scope of coverage and increasing employee cost-sharing, to freezing wages so as to accommodate increased health benefit costs.

The large employers, in some cases, had similarly adopted greater employee cost sharing and curtailed benefits. However, large employers both face greater constraints on management decisions (unions and multi-state operations) and

have a greater arsenal of strategies at their disposal for responding to unwelcome cost increases. Many of the large employers interviewed had turned their attention to interventions designed to improve employee health, such as company-sponsored wellness programs, EAPs, and case management of chronic illnesses. These were strategies not mentioned by small employers (and generally impractical on a small scale). Many small employers, instead, expressed interest in incentive strategies to encourage healthy behaviors among employees, such as higher premiums for smokers.

When asked to state preferences, employers of both large and small businesses generally looked favorably upon benefit limits and cost sharing as strategies to hold down premium costs (as reflected in actions already taken). Response among both large and small employers was mixed toward managed care strategies such as limited provider networks. The lack of success by managed care plans in driving down costs in Maine over the past decade may have fueled some cynicism among employers as to the potential effectiveness of these strategies.

Most of the participating employers saw some role for government in managing cost and access issues. However, there was substantial disagreement as to what and how extensive this role should be. Among small employers, opinions ranged from support for a single payer system in the state to total deregulation of the insurance market. Many small employers expressed deep distrust of both the insurance industry and the provider industry, as quick to take advantage of monopoly market situations and overcharge for their services – and distrust of the government's ability to adequately manage or sustain broad-based health coverage systems. The representatives of the large businesses tended toward a more moderate stance – citing specific regulatory changes that would be supported (modifications of Rule 850 and strengthened Certificate of Need review) and indicating concern with "underpayment" by public programs perceived as shifting costs onto the private sector.

Appendix

Small Business Employer Focus Group Participants

Bangor

Beers Associates
Fitzco Farm Center
Atlantic Designs
Best Bib & Tucker
Thistles Restaurant
Commercial Screenprint & Embroidery Inc.

Portland

Debbie Elliot Salon
Runyon Kersteen Oullette
Casco Development, Inc.
Harbor Fish Market
Duval's Service Center
PRC Industrial Supply, Inc.
Ram Harnden
Street Cycles
RSVP
Moon, Moss, McGill, Hayes & Shapiro
Nonesuch Books

Oxford Hills

Grassroots Graphics
Dr. Rob's Garage
Perfect Stitch Embroidery
Maine Balsam Fir Products
Allen & Co.
Reed Saunders Painters Roofers & Chimney Sweeps
Ari's Pizza
Hilltop Pools and Spas Inc.
Western Maine Home Inspection

Presque Isle

Stew's Downtown Site & Sound
Willard C. Doyen and Sons
Northeast Packaging Co.
Underwood Electric, Inc.
Aroostook Communications
Hutchings Flooring, Inc.
Therriault Equipment

Large Business Employer Interviews

Maine Municipal Association
LL Bean
International Paper
Maine University System
Colby College
Anthem Blue Cross & Blue Shield
Sabre Corporation
Hancock Lumber
Ducktrap River Fish Farm

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