

FINAL REPORT

# Getting California Covered: A Qualitative Study of Key Decision- Makers in the Small Business Market

PRESENTED TO:

Ogilvy West  
3530 Hayden Avenue  
Culver City, CA 09232  
310-280-2200  
&  
Covered California  
560 J Street  
Sacramento, CA 95814

PRESENTED BY:

NORC at the  
University of Chicago  
Larry L. Bye  
Senior Fellow  
225 Bush Street, 16<sup>th</sup> Floor  
San Francisco, CA 94104  
(415) 439-8824

JANUARY 24, 2012

# Table of Contents

- Table of Contents** ..... **i**
- Executive Summary** ..... **2**
  - Insurance Status and Experience .....2
  - Health Insurance Changes: Knowledge and General Attitudes .....2
  - Interest in Exploring the New Small Employer Marketplace .....3
  - Shopping for Insurance in the New Small Employer Marketplace .....3
  - Purchasing a Health Plan in the New Small Employer Marketplace .....4
- Study Background and Purpose**..... **5**
  - Small Business and Agents Study .....5
- Study Methodology** ..... **6**
  - Interview Guides .....6
- Findings** ..... **7**
  - Small Business Owners and Benefits Managers.....7
    - Insurance Status and Experience* .....7
    - Health Insurance Changes: Awareness, Knowledge, and Attitudes* .....9
    - Interest in Exploring the New Small Employer Marketplace* .....11
    - Shopping for Insurance in the New Marketplace* .....12
    - Purchasing a Health Plan in the New Marketplace*.....13
  - Agent Interviews .....15
    - Selling to the Small Business Market: Experience and Attitudes* .....15
    - Health Insurance Changes: Awareness, Knowledge, and Attitudes* .....17
    - Interest in Exploring the New Small Employer Marketplace* .....20
    - Shopping for Insurance in the New Marketplace* .....21
    - Purchasing a Health Plan in the New Marketplace*.....22
- Appendix A: Focus Group Discussion Guide**..... **24**
- Appendix B: Insurance Agents Interview Guide**..... **31**
- Appendix C: Small Business Screener** ..... **37**
  - Frequently-Asked Questions and How To Answer Them .....43
- Appendix D: Insurance Agents Screening Criteria** ..... **44**

## Executive Summary

This report presents findings from 25 one-on-one interviews with insurance agents and eight focus group interviews with small business owners and benefits managers. The main objective of the study was to explore knowledge, attitudes, and intentions related to health insurance shopping and purchase through Covered California, the state's new health insurance exchange. The data will be used to design marketing and outreach efforts targeted to the small business market.

### Insurance Status and Experience

---

Consistently across the group interviews, small business owners expressed a desire to provide health insurance to their employees. They viewed it as the right thing to do and as a way to attract and retain talented employees and improve competitiveness and profitability. Insurance agents confirmed that these were the primary factors driving small business employers to offer insurance.

About half of the small business respondents were currently offering their employees some health insurance benefit. Some were satisfied with the plans but most were not, citing the expense of the plans for both the company and the employees. Many were dissatisfied with the quality of the plans and the coverage and benefits they offered. Employers who do not offer insurance explained that cost is the main hindrance. This was echoed by the insurance agents who believed that cost was, by far, the most significant barrier to offer insurance for small businesses.

Although larger businesses, and those who employed older, white collar professionals, were more likely to offer health insurance benefits, there was little variation across industries, size categories, and ownership types in the *desire* to offer the benefits. Generally, it is something that they aspire to do, a business milestone toward which they strive.

### Health Insurance Changes: Knowledge and General Attitudes

---

The study data suggest that most small business owners and managers are confused about the upcoming changes to health insurance, and they are concerned about what the changes will mean for their businesses. Many believed that they will be required to offer insurance or face a fine. Very few were familiar with the details of how the new marketplace will work. Knowledge among insurance agents was greater but still not very high.

Many small business owners and benefits managers initially expressed negative opinions about changes coming in 2014, believing that government involvement was inappropriate regulation of employers. This was before they were supplied with basic information about the new small business marketplace. After this basic information was provided, opinions shifted. Many felt that the marketplace had the possibility of creating greater competition, leading to more choice and lower costs. Many felt that it would make insurance shopping and purchase easy for the first time, something they viewed very positively.

Agents also had negative opinions about the changes until they learned that they would be able to get licensed to sell plans in the new marketplace and receive commissions comparable to those they currently receive on the private market. Once they learned that they would not be shut out of the process, they voiced optimism that the new marketplace would help them approach existing clients with new plan options. They also believed that small businesses would be very receptive to it.

### **Interest in Exploring the New Small Employer Marketplace**

---

Almost all the small business representatives and agents said that they would be interested in learning more about the new marketplace. Respondents liked that it would allow apples-to-apples comparisons of plans and were interested in the concept of a benchmark plan that would allow them to easily choose the plan offerings that would best meet their needs. The ability to have greater flexibility and purchasing power were strong motivators to learn more about the marketplace. Agents wanted to learn more because it was viewed as a simple requirement of effective job performance and sales success.

### **Shopping for Insurance in the New Small Employer Marketplace**

---

There was widespread interest in using the new marketplace to shop for a group plan on the part of both the small business and agent respondents. About a quarter of the small business owners/managers thought they would consult agents to get their opinions or to look for additional options. More of the respondents said they would shop on their own for group plans. For some, this was due to the negative opinions they had about agents, viewing them as self-interested middlemen who did little to improve the process. For others, it was due to the simplicity of shopping directly. In terms of information needs as they shopped, small business owners/managers were most interested in understanding the cost and coverage differences between the various plans. Cost was by far their overriding concern.

Universally, the small business respondents reacted favorably to Orbitz and Expedia as examples of how the marketplace would work. This was a powerful metaphor that resonated well with virtually all study participants. Even those initially hostile to the idea of the new marketplace came to view it positively as

they learned more about how it would operate. Agents reacted similarly to these examples and to the shopping simplicity promised in the new exchange.

### **Purchasing a Health Plan in the New Small Employer Marketplace**

---

Small businesses not currently offering health benefits were divided in terms of their likelihood of providing insurance in 2014. Some said that they would purchase a plan, given the ease with which they could shop, the possible tax benefits, and the increased affordability they expected from expanded competition within the small business market. Others, especially the smallest businesses, were less sure, believing that insurance would remain unaffordable for their businesses and employees. They were skeptical that the tax credit would change the situation in a significant way.

The agents were generally more optimistic about how small businesses would respond; about half thought that new small employers would join the ranks of those offering health benefits. Their assessments tended to vary based on the perceived impact of the tax credit. Some doubted that it would have a big effect, while others thought that it would.

## Study Background and Purpose

Covered California, California's new health benefit exchange mandated by the Affordable Care Act, is preparing to launch an ambitious statewide marketing and outreach campaign in 2013. One goal will be to encourage small businesses to purchase or maintain group health plans for their employees. In order to guide the development of the campaign, NORC at the University of Chicago is conducting a series of studies to better understand the small business marketplace as well as its characteristics, needs, and preferences. The work is being conducted for Ogilvy West, Covered California's prime contractor for the marketing and outreach campaign.

### Small Business and Agents Study

---

The basis of this report is a study that involved the collection of qualitative data from approximately 80 small business owners and employee benefits managers along with 25 agents serving the small business market. The purpose was two-fold—to aid in the development of survey measures to be used in a quantitative study that will follow, and to inform initial planning for the marketing/outreach campaign.

The main study objectives were to:

- Explore levels of awareness and knowledge about health insurance reforms;
- Explore general attitudes toward the reforms;
- Assess interest of small businesses and agents in using the new marketplace to shop for a plan;
- Assess likelihood of small businesses actually purchasing plans;
- Identify attitudinal drivers of interest as well as barriers;
- Identify important influencers on the decisions to shop and purchase;
- Explore differences in the above based on company size and industry.

## Study Methodology

Eight focus group interviews with small business owners and benefits managers were held in three cities—Sacramento, San Diego, and San Francisco—between November 8 and November 13, 2012. Groups were divided by the size of the business represented (less than 25 employees or 25-50 employees) and the receptivity of the businesses to purchasing insurance (using self-identification of the participants as more or less receptive). Participants were only recruited if they stated that they were solely or partially responsible for making decisions about purchasing healthcare for their business. Some participants were owners and some were benefits managers.

Participants represented a wide range of industries. Recruitment targets were set so that approximately 75% of participants came from businesses that do not currently offer health insurance, and approximately one-third of the participants came from minority or women-owned businesses. Participants were recruited by local market research organizations using respondent databases and social networking methods to identify and screen potentially eligible individuals for the interviews. Each focus group interview lasted approximately two hours.

Individual in-depth interviews with insurance agents were also held in the same three cities during the same period of time. Only agents who dealt largely (but not necessarily exclusively) with the small business market were recruited. Agents were recruited using a list provided by Covered California representatives. We attempted to recruit both independent agents and those employed by companies of various sizes. Interviews lasted approximately 30 minutes.

### Interview Guides

---

The focus group and individual insurance agent interviews followed similar semi-structured interview guides. The moderator guide for the small business group interviews can be found in Appendix A, and the interviewer guide for the insurance agent interviews can be found in Appendix B.

All interviews were videotaped, and they were reviewed and summarized by trained NORC researchers. Additionally, the interviewers prepared verbal and written summaries of the top-line findings from the interviews. These materials are the basis of the findings presented in this report.

## Findings

This section of the report presents the main findings from the study. Results from the small business owners/managers research are presented first. The results from the agent research are presented second.

### Small Business Owners and Benefits Managers

---

#### Insurance Status and Experience

In general, the smallest businesses were the least likely to report offering health insurance to their employees. Several participants expressed the hope to be able to offer insurance in the future, once their businesses grew in size. Many felt that offering insurance was both financially challenging and created paperwork difficulties that were burdensome for very small businesses. Some—typically those employing younger, lower-wage, and more transient work forces—did not offer insurance because of the nature of their. Some businesses offered health benefits to their employees in the form of a stipend that employees could use on individual healthcare plans. A sizable majority of the larger businesses offered group health insurance to their employees.

Across the groups, most participants who did not currently offer coverage had not offered it in the past. A small minority offered it previously, but they dropped it either due to the expense, the paperwork burden, or to a shrinking workforce. Most participants intended to offer insurance in the future. Among those currently offering it, virtually all expected to continue offering it. Most businesses considered offering insurance to their employees to be a responsibility of operating a business and the ethical thing to do. Some expressed hope that insurance reforms would make it easier to offer coverage in the future.

#### *General Attitudes toward Plans*

Some of those businesses currently offering coverage were satisfied with the plans they offered, believing that in the current market their plan choices were about as good as possible. Many participants, however, were not happy with the insurance they offered and were skeptical that it could be improved. A significant minority of those who did offer insurance described their policies as “high-deductible” or “catastrophic” products that provided limited coverage. Only a small minority said their plans were sufficient or likely to get better. Deductibles, co-pays, and premium costs were all of concern to participants. A number of respondents argued that deductibles and premiums had risen drastically over the past several years and that this was a hardship for employees. Several mentioned specific issuers with which they had experienced difficulties in these areas.

### *Reasons for Offering Coverage*

When participants who offer coverage to their employees were asked explicitly why they provided the benefit, many argued that it was “the right thing to do.” They felt a personal commitment to doing so. Several drew comparisons to their own families, suggesting that they understood the value of offering insurance because they, too, needed it. Others argued that it was a way to attract and retain good employees. In the words of one participant, “We want good people. We don’t want turnover. We don’t have turnover.” These sentiments were echoed throughout every group.

### *Reasons for Not Offering Coverage*

Affordability, the availability of coverage for other family members, and the age of employees were the primary reasons why participants did not offer insurance to their employees. Affordability affected the situation in two ways: not only was it expensive for the company to provide insurance, but some also doubted that their employees could afford their portion of the premium or the other out-of-pocket expenses. Some participants said offering insurance was unnecessary, either because employees were generally covered by spouses, or because they were young enough (under 26) to still be covered by their parents’ plans.

For others, it was either not standard practice to offer insurance in their industry (e.g., restaurants, construction) or “the paperwork would be too much to handle.” Some agreed that shopping for insurance was difficult and stressful, which contributed to their decision not to offer coverage. Another group was concerned about the effects of the 2014 changes. They were hesitant to offer insurance in the near-term, preferring to wait for the implications to be clarified.

### *Shopping Experiences*

The proportion of participants in each group who said they had shopped for insurance varied considerably, ranging from just a few to everyone. Across the groups, a sizable majority had experience working with an agent and most purchased insurance through them. Participants reported mixed experiences with agents. Some found that agents provided convenience and made the process of buying insurance simple. Others found that they were difficult to work with—unable to provide clear information about price, coverage, and other essential issues. Insurance is complicated, and small businesses expect agents to help cut through the complexity. Yet, this expectation was often difficult to meet. One participant summarized the problem by saying that it was hard to know whether agents were trying to “help or just sell to me.” At least a few participants decided after working with an agent that they would shop independently for plans thereafter. As one participant remarked, “You get a sense when someone is not leveling up or giving you the whole story.”

Overall, participants expressed strong interest in an easier process of insurance shopping. Some agreed that “it would be great if one day health insurance was treated like online insurance.”

### Health Insurance Changes: Awareness, Knowledge, and Attitudes

Participants across the groups seemed to be relatively knowledgeable about some aspects of the upcoming changes to the health insurance system. For example, participants were aware that coverage for young people would be extended, the law is similar to the one enacted in Massachusetts, health insurance would be mandated for larger businesses, and premiums for individual plans would be partially subsidized based on income. Most respondents heard about the changes through the television (PBS and CNN were both mentioned), the Internet, newspapers, and friends or family.

#### *Initial Attitudes toward Changes*

In the initial part of the discussion, no information was provided to respondents about the changes to the health insurance system. When asked for their opinions about the changes, reactions were mixed. Some, particularly those who could not now offer insurance to their employees, reacted positively. Many felt that the changes would broaden access to health insurance and make it less expensive. They agreed with the respondent who stated that, “the way it is now, it is not cost effective and affordable for me.” Others pointed specifically to the potential tax benefits of offering health insurance under the new law. Some were skeptical, arguing that it was difficult to form an opinion until the changes were implemented or they knew more about how changes would actually work.

There were also negative responses to the changes in the health insurance system. Respondents expressed fear that costs would increase dramatically and that access to specific doctors could decline. As one participant argued, “Anytime government gets involved in mandates, it costs more money.” Others believed that state government involvement was a bad idea, agreeing with the sentiment that “it’s horrible in California.” One participant stated that the National Federation of Independent Businesses had unequivocally spoken out against the law, arguing that it forced businesses to buy a product. In the same vein, a few participants expressed concerns about the implications of growing their businesses to the point where they were large enough to be mandated to provide insurance.

Asked in what ways the changes will be either good or bad for their business, responses from the participants were again mixed. On one hand, some argued it would improve access to insurance, lower costs, increase competition among insurance companies, and introduce tax benefits to small businesses. On the other hand, detractors believed it would inhibit access to specialists, squelch competition, and force small businesses to buy something they may feel to be unnecessary.

A follow-up question about whether the changes will encourage small business to purchase health insurance also elicited varied responses. Those who supported the changes were likely to say that tax benefits would help incentivize employers to offer insurance. Detractors argued that it would not incentivize businesses, but rather force them to offer insurance. Some of these participants also cited the threat of fines as another means of compelling businesses to offer insurance.

Among those who did not support the changes, the repercussions on small businesses were summarized by one participant as “government pressure, outing you or shaming you for not doing it.” Participants had heard that fines or tax penalties would be levied against businesses that did not comply with the law. In one group, there was a lengthy discussion about fines and penalties that reflected the state of confusion on the topic. Some participants had heard that micro businesses (employing two or three people) could be partially or fully exempt from some parts of the law. Others offered various alternative and differing points of view.

#### *Attitudes after Exposure to Information about Covered California*

After exposure to a brief description of the new Covered California marketplace (see “New Health Insurance Options for Small Employers” in Appendix A), participants’ opinions began to change. Some participants were surprised to learn about the tax credit, having heard that it would instead be a deduction. Many were also surprised by how flexible the new system would be; they expected rigid plans run by the government. Some were surprised to learn that participation was completely voluntary, which ran counter to their understanding that it would be mandatory.

One participant’s reaction summarizes much of the shift that seemed to take place across the focus groups:

One thing that is cool about it is that as the employer, I would get to choose the coverage and level of benefit. And the employee gets to choose from a plan at that level. [...] As the employer, I get to choose what they are going to get to choose from. There is going to be a lot of options. [...] I get to choose if I want to participate or not. And there is no requirement for me to participate. [...] But then the cynical side comes out when I see the word California.

Reading the description stimulated considerable interest in the 2014 changes among participants. In most of the focus groups, there were some respondents who insisted they would need more information in order to render an opinion about the changes. Here is how one participant put it: “I think they are making this all up as they go along. Until they make things clearer, I don’t have an opinion on it. I’m just going to take it as it goes.” Some remained skeptical based on concerns about the expense and government

involvement. Some were also concerned about the tax implications believing that “tax credits equal higher taxes.” The following comment was typical of concerns about state government involvement: “If it’s anything like the DMV, you don’t want to have anything to do with it.”

Overall, however, most respondents reacted favorably to the information in the description. In the words of one of the participants: “This does exactly what I like. You go online, you pick what you want, and what more could you ask for with the 50% offset for the premiums?” Another indicated that the changes “would make it easier to provide healthcare.”

### *Feelings about the Changes*

Asked to summarize their feelings about the changes in one word, the most common responses were positive and focused on their beneficial aspects, including “exciting,” “affordable,” “easier,” “better,” “innovative,” and “options.” The next most commonly heard responses were uncertain ones, such as “wait and see,” “unclear,” “doable,” “on the fence,” and “skeptical.” The third most frequent cluster of responses were negative, including “socialism” (which the respondent clarified with “shared misery”), “bizarre,” “government” (which the respondent associated with “bad”), “trap,” “distrustful,” and “wary.” Finally, a small minority of responses reflect cautious optimism, including such terms as “hopeful,” “optimistic,” and “potential.”

### **Interest in Exploring the New Small Employer Marketplace**

Nearly all of the focus group participants indicated an interest in learning more about the new small business insurance marketplace. Participants were most attracted to the convenience and flexibility of the marketplace with one pronouncing, “It’s like a cafeteria plan!” Another offered, “Time is money in my business so if it saves me time it saves me money.” Others appreciated the objectivity with which the insurance plan information would be presented and the variety of options available for both the employer and the employee. When asked about their interest in learning more about the marketplace, several participants raised questions right away, particularly regarding the details of how it would work. For example, questions were asked about whether it would better to be covered as a small business or as an individual if the small business has only one employee. Other questions concerned how the service center would be staffed, level of operator knowledge, and their commitment to customer service.

When asked specifically what they would want to learn about the marketplace, participants generally were concerned about customer service, as opposed to actual details of the marketplace. Several participants wanted to know who would be responding to their calls (e.g., whether this work would be outsourced), the length of the hold times, and the extent to which it would be automated versus staffed by

live, knowledgeable operators. As noted above, others were concerned about the level of the state's involvement, noting displeasure with other institutions run by the state. Along this line, one respondent asked, "What will happen when the next president comes along?" His concern was whether the changes were in fact settled policy or still subject to political debate. Some participants also noted that they would want to learn more about cost, coverage, types of plans, the website design (i.e., how user-friendly it is), and the tax credits that would be available.

### **Shopping for Insurance in the New Marketplace**

All but a few participants across the eight groups indicated that they would use the new marketplace to get more information and/or shop for a plan for their company. This discussion took place after additional information about shopping at the new marketplace was distributed to respondents (see "Shopping for a Plan in the New Marketplace" in Appendix A).

Many participants believed that the new marketplace would negate the need for insurance agents, and most said they would go directly to the marketplace to shop for insurance plans, given its convenience. In general, participants liked that they could visit the marketplace at their personal convenience and compare several insurance plans at once. The Expedia comparison used in the descriptive materials was very positively received by participants. One respondent actually called the Expedia model "a great example of government supporting the best thing about capitalism...helping to give us choices and letting us make them." Eliminating the "middle-man" was also seen as a major advantage of the new marketplace. A few indicated that they would still use an agent so that they could get a professional opinion and/or receive printed materials to review. These were individuals who viewed the agents as trusted resources--people with potentially more knowledge than the marketplace service representatives.

Participants were vocal about what they would like to know about the various health plans offered. Consistently mentioned were the cost of premiums; the nature of coverage (especially coverage for pre-existing conditions, hospital stays and prescriptions); the type of benefits offered; the amount of deductibles and co-payments; and the location of providers. Most important to the participants was premium cost, followed by coverage.

When asked if there was any person who participants would seek advice from regarding whether or not to shop for a plan at the new marketplace, most said yes. Several different types of people were mentioned, including agents, peers, doctors, benefits staff or experts, spouses, and management consultants serving small businesses. Fewer participants mentioned they would turn to organizations for advice. Those who would turn to an organization mentioned the Better Business Bureau, Chamber of Commerce, small

business groups, or trade/industry associations. A few participants did not think it would be necessary to seek advice at all. For example, one said, “It seems like if you went online and found out the providers, you’d be good to go.” Another thought the marketplace would contain sufficient detail and additional advice would not be needed.

Across all of the focus group interviews, only one participant vocalized a reason for not wanting to shop for a plan in the small business marketplace, stating, “I think it’s a scam. Those companies are probably paying to be in those spots.”

### **Purchasing a Health Plan in the New Marketplace**

Before exploring purchase intentions, additional information about the small business marketplace was provided to participants (see “Purchasing a Plan in the New Marketplace” in Appendix A). Those who did not currently offer insurance benefits were divided in terms of whether they would start to offer it in 2014. Some were confident that they would, while others were unsure. One respondent said, “If this goes through, and is as affordable as it looks, then yes. I want to give them insurance and make it fair to them and me, but it is tough.” Another pointed out that some employees may still not be eligible for health insurance given internal company benefit policies and stated, “For our part-time staff it still doesn’t qualify. But for those who are working more than just seasonally, it will make sense.” As pointed out earlier, companies employing younger, transient and lower-wage workers felt that insurance was somewhat less important and were less likely to offer it.

Participants who currently offered coverage to their employees planned to continue to do so. For example, one said, “For my company, we cover 100% of the costs...if my premium didn’t go up and I was offered a 50% credit that would be a benefit to my organization.” In general, these participants felt optimistic that the changes will benefit small businesses but were also somewhat skeptical, feeling that “it may be too good to be true.” In particular, many participants wanted more specific information regarding the tax credit before making a decision. Being able to compare the actual plans side by side was, of course, also important for most of these respondents in order to make a decision about whether to keep the plan they currently offer or select a different plan.

### ***Reasons to Purchase Insurance***

Participants provided several reasons for wanting to offer health insurance in 2014, including the need to retain good employees, the desire grow as a business, and to gain a competitive edge in the market. Other participants mentioned that the new marketplace would make the process of shopping for and offering insurance much easier, and this was also cited as an important driver of their interest. Some were under

the impression that the new marketplace, and the competition it would engender, would make plans more affordable in 2014 than they currently are. This is not something that was promised in the descriptions distributed during the group interviews, but it was an impression reported by some respondents.

### *Barriers*

Those who were not likely to offer insurance in 2014 offered a variety of reasons for their decision. Some thought the information we provided was vague, especially the “up to 50%” and “qualified business” references with regard to the tax credit. Others were generally skeptical and wanted to see the marketplace fully functioning before making a decision. Along these lines, one participant remarked, “This is an ambitious program and for it to be fully implemented in about one year and one month will be miraculous.” For most of the hesitant, however, cost remained the paramount concern, especially for the smaller businesses with less than 25 employees. Even with the tax credit, many thought insurance would still be unaffordable, both for the business as well as the employees who would face prohibitive out-of-pocket costs.

Uncertainty about details of the new marketplace and how their employees would respond were common concerns among the participants. During this part of the discussion, respondents had many questions. The following were typical:

- Can employees keep plans if they move from small business to small business?
- How will existing plans compare to those offered by Covered California?
- What will be cost of the premiums be?
- Would it be possible to opt-out? That is, is it really not mandatory?
- Would the benchmark plans be affordable?
- What about employees who qualify for government subsidies because of their income?

Some participants indicated that they would consult their insurance agent about whether to actually purchase a plan and a few mentioned that they would be interested in gaining feedback from previous or current plan members in order to see how satisfied they were with the plans.

## Agent Interviews

---

### Selling to the Small Business Market: Experience and Attitudes

The insurance agents represented a wide range of experience in the industry. Reported experience ranged from 1 to over 70 years, with an average of around 18 years of experience in the industry. The experience in serving the small business health insurance marketplace ranged from 1 to 27 years, with an average of about 9 years. Many of the respondents reported that they marketed only to small businesses, while others reported that they marketed to both small groups and individuals. Only one of the respondents stated that he also marketed to large groups. Three-quarters of the agents reported that they were self-employed, while a quarter said that they were employed by a firm. The named firms included NY Life, State Farm, and Allstate.

When asked to identify the main drivers that lead small employers to offer health coverage, the most common response was that health benefits are a way for employers to recruit and retain high quality employees, allowing businesses to stay competitive and make a profit. As one respondent noted, “people who offer group benefits value longevity in their workforce.” Several respondents also felt that employers provide benefits because it is the right thing to do: “what drives [employers] is they want to do the right thing and hold on to their employees.” Participants also noted that health benefits are now the norm (especially in San Francisco where a city program mandates larger employer participation), and many employees expect to be offered health coverage through their work.

Some participants noted that small businesses offer health coverage because they have been successful and can afford to do so, sometimes because of the tax advantages. Several also expressed the opinion that many small employers offer health insurance because they themselves are in need of it and can be part of the group policy.

The main barrier to offering coverage identified by virtually all of the respondents was the cost of insurance. “Cost is number one,” most agreed. Some respondents noted that the cost is particularly high within industries with high turnover rates. Other barriers included:

- Location of providers and services in small towns and suburbs
- Difficulty meeting the two employee minimum requirement to receive small business insurance
- The complexity of selecting and applying for insurance
- Low quality of affordable plans
- Employees with chronic health problems
- Government regulations

Most respondents believed that companies in established, white-collar industries such as architecture and the law are most likely to offer health benefits. Respondents seemed to generally agree that sole proprietorships, newer companies, and blue-collar or unionized industries are less likely to purchase group health insurance plans. However, one insurance agent who served companies in both white- and blue-collar industries explained that her experience was that companies such as auto body shops were more likely than law firms to purchase insurance because of the higher risk of injuries on the job and/or the need to attract employees with specific skill sets.

Only a handful of respondents gave an opinion on whether small employers with other types of insurance were more likely to purchase health insurance coverage. Of those that did reply, the majority agreed that this was the case; only one participant stated that he did not think employers with other types of coverage were more likely to offer health insurance.

The insurance agents reported using a wide range of channels to reach small employers. The most common responses were a reliance on referrals/word of mouth and cold calling. Other channels/approaches were:

- Direct mail marketing (e.g., postcards, brochures, etc.)
- Marketing additional insurance to existing clients
- Contacting employers of existing individual clients
- Walk-ins
- Ads on the radio, in magazines, or on Facebook and Google
- Websites
- Employing a firm to find leads

The respondents generally agreed that the most effective channel/approach for marketing to small businesses is referrals, though a handful felt that advertisements on radio and Facebook were also highly effective.

About half of the respondents predicted that more small businesses would offer health insurance in the future, most often citing the forthcoming changes mandated by the Affordable Care Act. Some of these respondents also felt that more small businesses would offer health insurance because the economy will improve, allowing businesses to spend more money on employee benefits. A much smaller group felt that fewer small businesses would offer the benefit because it is expensive, and most small businesses will continue to struggle economically. As one respondent described it, "[Insurance] is the first thing that goes

when a business is struggling; the first thing they dump is health insurance.” Another small group felt that there will be no change in how many small businesses offer health insurance. According to some respondents, many small businesses are afraid of how the Affordable Care Act will affect them, and this made it difficult to predict future trends.

## Health Insurance Changes: Awareness, Knowledge, and Attitudes

### *Unaided Awareness and Knowledge*

While all respondents were aware that significant changes in health insurance were coming, study participants displayed relatively limited knowledge about the nature of the changes. Nearly one-fifth of respondents, although aware of “Obama-care,” lacked any specific knowledge about the changes that the law will bring. Among those with specific knowledge, the most frequently identified changes were the individual mandate and the establishment of a state health insurance exchange. Other commonly cited changes were the fact that insurance companies will no longer be able to deny coverage due to pre-existing conditions, new plans will be offered that will be tiered based on income, and there will be universal health insurance coverage. Other changes that were named by just one or two participants were:

- Agents will be compensated for helping people with the purchase of plans on the new insurance exchange
- There will be tax credits for small businesses
- Some or all businesses will be required to provide insurance for their employees
- Insurance companies will be required to cover prescriptions and maternity care
- Young adults will be covered under their parents’ insurance until age 26

Many of the participants noted that there are still relatively few details about how the exchange will work, and they expressed concern about the role that agents will play and how that may affect their livelihood: “What I don’t understand is how it is going to affect my future.” This was a relatively widespread concern. In addition, other concerns were expressed about the potential outcomes of the reforms, including a possible shortage of doctors, decreased quality of care, potential tax increases, exclusion of Muslims and other groups from plans, and panels deciding what care patients would receive.

### Information Sources

Most of the respondents stated that they had heard about the changes mandated by the Affordable Care Act through newspapers (either online or print), industry seminars and classes, word of mouth, and e-mail blasts from insurance company listservs. Other less commonly cited sources of information were insurance agency websites, trade publications, radio, and TV.

### *Initial (Unaided) Attitudes toward Changes*

A majority of respondents felt that the changes would be good for both small businesses and employees. Many seemed to feel that businesses would benefit because costs would go down and employees would be healthier and more loyal to the firms. Employees would benefit by having greater access to affordable health care. For instance, one respondent answered, “it will be a way for [small businesses] to get insurance...they will have more satisfied employees.” Another noted that “business people are looking for the bottom line, so if it costs them less, and is easy to deal with, they’ll be excited about it.”

However, some respondents felt that the changes would be bad for both small businesses and employees, or that it would be good for employees but bad for small businesses. Most of these participants felt that small businesses would be hurt by the changes because costs would increase and they would be forced to provide benefits that they could not afford. This would, in turn, be harmful for employees. As with the small business owners and managers, many of the agents believed that coverage was mandated. In addition, several voiced concern about whether the quality of care would decrease or whether costs would increase for individuals. At least one participant also felt that the information in the new insurance marketplace would be too confusing to allow individuals to make an educated decision about which plan to purchase. Nearly a quarter of the respondents, however, either felt that there would be no impact on small businesses or employees, or that they could not be sure of whether the changes would be beneficial or harmful.

### *Impacts on Small Businesses*

Nearly half of the participants stated that the changes in the Affordable Care Act will encourage small businesses to purchase health insurance for their employees, mainly because coverage was thought to be mandatory, costs will be lower for businesses, and it will help small businesses increase employee retention. Some also felt that the process will be streamlined with information more accessible through the new marketplace. As one participant noted, “It’s going to be easier for small businesses to access information so that should be an incentive.”

Two participants felt that the changes will discourage small businesses from purchasing health insurance because it will be cheaper for businesses to have their employees apply for subsidies and tax credits through the individual marketplace. Also, the changes were thought to have little impact on those businesses already offering coverage. The remaining participants felt that the impact on businesses will depend on the costs of incentives and penalties called for in the Act, the quality of the plans offered, and the size of the company. As one respondent explained, “If you’re going to threaten them with penalties,

they are going to look at the cost of the penalties and look at the cost of health insurance, and make a business decision about what's going to be better for them.”

Many of the agents felt that there would be negative effects on small businesses that do not opt to purchase health insurance for employees, believing that these businesses would receive a costly fine or would have a harder time attracting and keeping employees: “I understand that there’s going to be penalties per employee if they decide not to purchase insurance.” Only a few respondents said that there would be no negative impact, while the remaining participants felt that it would depend on the relative costs of the insurance plans and any penalties for not purchasing a plan.

### *Reactions to Information about Changes*

After reviewing the information describing the new marketplace, about a quarter of the respondents stated that all of the information was completely new, while three stated that they already knew all of the information that was presented. The information, “New Health Insurance Options for Small Employers,” is presented in Appendix B to the report. The majority of respondents said that while they were familiar with some of the information, some of it was new to them. In particular, nearly all of the respondents stated that the information regarding the tax credit for employers was new information, and many were unaware that businesses with fewer than 50 employees would not be required to provide health insurance benefits. Several also were not aware that the California marketplace would be run by the state government rather than the federal government. Other information identified as new included the details on premiums and that the marketplace will be available online.

### *Attitudes toward Changes after Exposure to Information about Covered California*

Based on the information provided, two-thirds of the respondents felt that the changes will be good for small businesses and their employees, citing the streamlined process, greater affordability and options for both small businesses and individuals. A handful of the agents, however, were unsure about the impact; they felt that it would depend on how the tax credit would be administered, the insurers that would be involved, and whether prices would increase over time. Only one respondent felt that the changes would be bad for small business and employees because she believed people would simply purchase the cheapest plan without having adequate knowledge about the suitability of the plan: “I think it’s wrong, only because you’re going to get all the people just getting the cheapest thing.”

Respondents were much more conflicted about how the changes would impact insurance agents. Just under half felt the changes would be positive since more of their small business clients will be able to afford to purchase small group plans. Some also felt that people would want help navigating the new marketplace, such as one respondent who felt strongly that this would present an opportunity. He said

“there’s going to be a lot of folks who are uninsured right now who are going to want to speak to an agent.” Others felt that there would be more choices they could offer their clients and that the products would be better and therefore easier to sell. An equal number of respondents, however, were unsure about how the changes would affect agents. They were primarily concerned with how commission rates might change, and they were uncertain about whether people and businesses would want help shopping for and purchasing plans. The remaining respondents felt that the changes would be negative for agents because businesses and individuals would work directly with insurers to purchase plans rather than going through an agent: “[The changes will be] bad for me, because I will be out of business on the health side.”

### *Feelings about Changes*

Asked for one word summarizing their feeling about the changes, the most common responses were “positive,” “choices” or “options,” “confused” or “confusing,” and “optimistic.” The others came up far less frequently. All of the responses, most offered as one-word responses without additional explanation, are listed below.

- Positive
- Choices/Options
- Confused/Confusing
- Optimistic
- Changes
- Conflict
- Good
- Time
- Great
- Skeptical

### **Interest in Exploring the New Small Employer Marketplace**

All but one respondent stated that they would be interested in learning more about the new small employer marketplace. The one respondent who was not interested explained that “2014 feels very far away,” and he would be more interested in learning more at a later date. The most common reason for wanting to learn more was to be more knowledgeable about the changes in order to be able to better address client needs, to learn more about opportunities for attracting new clients, and to learn more about specific plan details. Other reasons included the opportunity to shop for insurance plans for the respondent’s own company, and that it would be easier to sell plans using the marketplace.

Most of the respondents were interested in learning more about the details of the plans, including premiums, tax credits, coverage, providers, and the enrollment requirements and process. Respondents were also interested in learning about the mechanics of the marketplace, such as how it will work (particularly what role agents and insurance companies will play), commissions for agents, and how agents will interact with clients and the website itself.

Most participants believed that small businesses will be interested in learning more about the marketplace, primarily because they will want to know how it will affect their bottom line and whether there may be an opportunity to increase their competitiveness through offering better employee benefits. Only a handful of respondents felt that businesses would not be interested mostly due to the poor economy or “because employers simply don’t think about insurance.”

### Shopping for Insurance in the New Marketplace

Virtually all of the respondents stated that they would likely or definitely use the marketplace to shop for insurance. This probing followed exposure to “Shopping for a Plan in the New Marketplace” (see Appendix B.) The respondents saw the marketplace as a good way to offer more choices to their clients and as a way to grow their own business and attract new clients. As one explained, “I’d use it every time, I feel that I owe it to [my clients].” In addition, several noted that the marketplace seemed convenient and easy to use, offering a streamlined process for investigating plans and applying. A few respondents also felt that the plans in the marketplace would be better because they would be more flexible. The one respondent who stated that he would not shop on the marketplace explained that he is a captive agent, and therefore could only direct clients to the website but could not shop for plans for them there himself.

Respondents were evenly split regarding whether they would consult a person or organization about shopping in the new marketplace. The most commonly identified resources for advice on shopping in the marketplace were co-workers, insurance companies, and the National Association of Health Underwriters, in addition to California Broker Magazine.

The respondents were particularly interested in having a simple, online quoting mechanism through the marketplace and a side-by-side “cafeteria style comparison” option that would provide all the details regarding rates, coverage, and company ratings, in addition to a customizable search/filter function. Other ideas included:

- Quick turnaround
- A step-by-step guide for agents
- Details on claim processing

- Comparisons of Covered California and other plans
- Information about the enrollment process for clients and agents
- A simple user interface with good customer support

With regard to small employers, the majority of respondents felt that they would be most interested in having detailed but concise information on plan costs, coverage, and locations of providers. Other items of interest for employers would be information about the ACA law, tax incentives, and discounts for healthy lifestyle choices.

Nearly all of the respondents expressed an interest in becoming certified through the statewide agent certification program, most often because it was seen as a way to become more knowledgeable about the industry and grow their business. However, a handful of participants were uninterested or uncertain because they wanted more information about the time commitment and the costs and benefits of the certification program.

### **Purchasing a Health Plan in the New Marketplace**

Toward the end of the interview, respondents were asked about the likelihood that small businesses would purchase group plans in 2014. Prior to being asked this question, they were presented with “Purchasing a Plan in the New Marketplace” (see Appendix B.) About half believed that small businesses not currently offering coverage would purchase group plans in 2014. The remaining respondents were evenly split between those believing that small businesses would not purchase a plan in 2014 and those who were unsure.

Participants identified the tax credit as the primary incentive for small businesses to offer health benefits, along with the presumed lower costs of plans through the new marketplace and the convenience and ease of using the marketplace. However, a few felt that the tax credit was unlikely to offset enough of the cost of the plan, particularly for businesses that currently do not offer coverage due to affordability concerns. Many also felt that whether or not businesses would be incentivized to offer insurance would depend on how the economy changes in the next few years, the cost of the plans, the size of the tax credit, and the degree of difficulty in qualifying for the tax credit. Several respondents noted that many small businesses are simply focused on “trying to stay afloat,” with all other considerations being secondary.

For the majority of respondents, the tax credit was seen as an important factor in motivating small businesses to offer coverage because it will help them offset costs, maximize profit, and allow them to offer better coverage. As one respondent said, “Anything that helps with taxes is something that will help maximize profits and [in this case it will help them] offer benefits too.” Some respondents were unsure

about how much of a factor the tax credit will be, however, because they did know how many businesses would qualify or how easy it would be to administer. Two participants did not think that the tax credit would be an important factor for their small business clients, either because they would not be able to qualify for it, or because they are already operating at a loss and would not be able to take advantage of it.

Asked to identify who small business owners would seek advice from about whether to purchase insurance, respondents were most likely to suggest that employers would talk to their colleagues or business partners, either informally or at trade shows or seminars. Many respondents also thought that employers would talk to insurance agents. Other responses included:

- Employees
- Accounts/tax advisers
- Personal friends
- Online research
- HR department staff
- Doctors
- Unions

More than half of the respondents felt that small businesses that already provide coverage may make changes in 2014 because, as many participants noted, businesses are always shopping around for the best plan. Therefore, most of the respondents felt that businesses will at least investigate the new plans to look for ways they can save money, and many will opt for cheaper plans: “I think more people will look at this, compare it to what they are doing now, and if it’s more advantageous, take advantage of it.” Some also felt that businesses are likely to expand their existing coverage by adding vision or dental insurance or offering additional plans from which employees can choose, for example. Those who disagreed thought that many businesses would simply not bother to make a change if they already had a plan in place.

## Appendix A: Focus Group Discussion Guide

### Ogilvy West Covered California

#### SMALL BUSINESS FOCUS GROUP DISCUSSION GUIDE

Revised, Larry Bye, Nov 6, 5:00 p.m. Pacific

##### A. Introductions, and Explanation of Process and Ground Rules (5-10 minutes)

[FOR INTROS HAVE EACH SAY SOMETHING ABOUT THE COMPANY THEY REPRESENT AND THEIR JOB/ROLE]

##### B. Insurance Status and Experience (20 minutes)

1. How many of you represent businesses that currently offer health insurance to your employees? [RECORD NUMBER OF PARTICIPANTS WHO REPORT OFFERING INSURANCE.]
2. Do the health insurance plan(s) offered by your small businesses meet the needs of your employees and their families? Why or why not? [PROBE FOR MULTIPLE RESPONSES]
3. What about for the business. Do the plans meet your needs? Why or why not? [PROBE FOR MULTIPLE RESPONSES]
4. For those of you who offer insurance coverage to your employees, can you tell us some reasons why you offer insurance? [PROBE FOR POSSIBLE REASONS, E.G., ATTRACT AND RETAIN QUALITY WORKERS, EMPLOYEE MORALE, EMPLOYEE WELLNESS ETC.]
5. Do you offer a group policy, or do you give employees a specific dollar amount to use to buy a plan on their own? [GET RATIONALE]
6. Now, let's hear from those whose businesses do not offer health insurance. There are many reasons why small businesses don't offer health insurance. What the main reasons for you? [PROBE FOR MULTIPLE RESPONSES]
7. Again, for those who don't currently offer health insurance, have your small businesses ever offered it before? [IF YES, ASK WHY THEY DROPPED COVERAGE. GET REASON FOR MOST RECENT DECISION TO STOP OFFERING COVERAGE.]
8. [ASK ALL] What are the greatest challenges or barriers that your small businesses face in providing coverage for employees? Besides costs, what other challenges exist?
9. [ASK ALL] For those who have shopped for insurance, can you tell me what, if anything, you would like to change about the process?

10. In the past, how has your business purchased health insurance—through an agent? Or through another process?
11. For those who have worked with an insurance agent in the past, what can you tell me about the experience of working with an insurance agent? [GET WHAT HAPPENED AND THE POSITIVES AND NEGATIVES.]
12. [ASK ALL] Looking ahead, do you plan to offer health insurance for your employees? [PROBE REASONS FOR A CHANGE. GET DETAILS]

**C. Health Insurance Changes: Awareness, Knowledge and Attitudes (20 minutes)**

1. What, if anything, have you heard about the changes that are coming in the health care system and the way that individuals and small businesses can buy health insurance? [PROBE FOR MULTIPLE ANSWERS AND ALL THEIR PERCEPTIONS .IF NOT HEARD OF, ASK WHETHER THEY HAVE HEARD OF HEALTH CARE REFORM PROPOSED BY PRESIDENT OBAMA AND PASSED BY CONGRESS IN 2010.]
2. How have you heard about these changes? [GET SOURCES]
3. What's your opinion? Will these changes be mostly good or bad for small businesses? What about the employees of small businesses? [EXPLAIN THAT BY SMALL BUSINESS WE MEAN 50 OR FEWER EMPLOYEES.]
4. In what ways will these changes be (good/ bad) for your small business? What about for your employees? [PROBE FOR MULTIPLE ANSWERS. TRY AND GET ALL THE REASONS.]
5. Do you think that the changes will encourage or incentivizes small businesses to purchase health insurance for their employees? Why or why not?
6. Will there be any repercussions or negative impacts on small businesses that opt not to purchase health insurance for their employees after 2014? What have you heard about this?
7. [HAND OUT DESCRIPTION OF NEW MARKETPLACE AND ASK RESPONDENTS TO READ IT.]
8. How much of this were you aware of before today? [GET WHAT IS NEW TO THEM].
9. Now that you know a bit more, what do you think? Will this be good or bad for your business? What about for your employees? [GET MULTIPLE ANSWERS AND SPECIFICS.]
10. What one word summarizes your feelings about these changes...as they will affect small businesses like yours? [GO AROUND THE ROOM. GET ONE WORD ONLY FROM EACH PARTICIPANT.]

**D. Interest in Exploring the New Small Employer Marketplace (15 minutes)**

1. Would you be interested in learning more about the new small business insurance marketplace? [GET COUNT]
2. For those who would be interested, can you tell me more about why you would be interested? What most attracts your interest? [PROBE FOR MULTIPLE ANSWERS.]
3. What specifically would you want to learn more about? What information would you would want to get? [PROBE FOR MULTIPLE ANSWERS]
4. What about those who are not interested? Can you tell me your main reasons for not wanting to learn more? What turns you off or makes you reluctant to learn more? [PROBE FOR MULTIPLE ANSWERS]

**E. Shopping for Insurance in the New Marketplace (20 minutes)**

1. [HAND OUT DESCRIPTION OF SHOPPING PROCESS AND ASK PARTICIPANTS TO READ IT. FOR THOSE WHO SAID THEY ARE NOT INTERESTED, TELL THEM THAT YOU WANT TO FURTHER EXPLORE THEIR VIEWS.]
2. How likely is it that you would use the new marketplace to get more information or to shop for a plan for your company? I mean get more information and shop, not actually purchase a plan. [GET COUNT]
3. For those who say they are likely, how would you go about doing it? Would you work with an agent or to go directly to the marketplace itself? [GET ONE ANSWER ONLY PER PARTICIPANT}
4. Why is that? [GET WHY THEY SELECTED THE PREVIOUS RESPONSE.]
5. What would be some reasons for going directly to the new marketplace? Are there any advantages that you can see? [GET MULTIPLE RESPONSES.]
6. What would be some reasons for going to an insurance agent? Are there any advantages that you can see? [GET MULTIPLE RESPONSES.]
7. In comparing the health plans, what would you want to know about them? What information would you want to get? [PROBE FOR MULTIPLE ANSWERS]
8. What information would be most important to you? [RECORD THE MOST IMPORTANT FROM PREVIOUS LIST]
9. Is there any **person** you would get advice from, or talk to, about whether to shop for a plan at the new marketplace? I mean to use it to just shop. [IF YES, GET WHO PERSON IS OR MIGHT BE. PROBE FOR MULTIPLE ANSWERS 3. PROBE RELATIONSHIP E.G. ACCOUNTANT, LAWYER, PARTNER].

10. Is there any **organization** you would turn to for advice, or get information from, about whether to shop for a plan in the new marketplace? Again, I mean just to use it just to shop. IF YES, GET NAME OR DESCRIPTION OF ORGANIZATION. PROBE FOR MULTIPLE ANSWERS.]
11. What are some reasons you might not want to shop for a plan in the SHOP exchange? What problems or concerns would you have? [PROBE FOR MULTIPLE ANSWERS]

#### **F. Purchasing a Health Plan in the New Marketplace (20 minutes)**

1. [DISTRIBUTE PURCHASING INFORMATION.]
2. For those of you that do not provide coverage, how likely is it that you will provide it in 2014? [GET SHOW OF HANDS.]
3. For those of you who say it is likely, what would be your main reasons? What good things would happen for your business and/ or your employees as a result of making this change? [PROBE FOR MULTIPLE ANSWERS]
4. For those of you who say it is unlikely, what would be your main reasons? [PROBE FOR MULTIPLE ANSWERS]
5. Are there any other pros and cons to this that have not yet been mentioned? If so, what are some of other considerations? [PROBE FOR MULTIPLE ANSWERS]
6. Is there any **person** you would turn to for advice, or talk to, about whether to actually purchase a plan? [IF YES, ASK WHO PERSON IS OR MIGHT BE. PROBE FOR MULTIPLE ANSWERS. RECORD E.G., ACCOUNTANT, LAWYER]
7. Is there any **organization** you would turn to for advice or get information from before actually purchasing a plan? [PROBE FOR MULTIPLE ANSWERS. PROBE NAME OR DESCRIPTION OF ORGANIZATION.]
8. For those of you who already provide coverage, how likely is it that you will make changes like dropping coverage or selecting a different plan?
9. What changes will you make and why? [GET SPECIFICS AND RATIONALE.]

#### **G. Thanks and Conclusion**

Wording of the three stimuli cards follow

## **New Health Insurance Options for Small Employers**

Starting in 2014 small businesses will find that providing health insurance is easier and more affordable than ever before. Covered California, a new online insurance marketplace, is being set up by state government in order to make the process easy. All employers have to do is choose the level of coverage and benefits they want to offer. They will then provide employees the choice of any plan offered at this level. The cost of monthly premiums will depend on the level of coverage and benefits selected. The plans will be competitive with those offered to small businesses outside the marketplace. Some employers will be eligible for a tax credit that will offset up to 50% of their premium costs. Participation is completely voluntary. There is no requirement to participate.

## Shopping for a Plan in the New Marketplace

*Covered California's* online insurance marketplace is designed to make the often complicated process of shopping for a group health plan easy. Much like Expedia or Orbitz, it will be easy to compare plan choices and premium prices at all of the coverage and benefit levels. Employers who want in-person help can contact a *Covered California* Service Center representative by telephone or work with a *Covered California* certified insurance agent. All employers have to do is choose the level of coverage and benefits they want to offer. They will then provide employees the choice of any plan offered at this level. Employers may set their budget by selecting a benchmark plan while allowing employees to select the plan or company that best meets their unique needs. If the cost is higher than for the employer's benchmark plan the employee can pay the difference.

For the first time, small employers will have the purchasing power and flexibility to offer as much choice as larger employers with thousands of employees. Those who want to actually purchase a plan can do so online. They can also receive one convenient monthly billing statement that can be managed online.

## Purchasing a Plan in the New Marketplace

In addition to being able to offer employees far more choices than ever before, the new marketplace will offset premium costs for many small businesses. Qualified small businesses will be eligible for a tax credit that will credit up to 50% of the premium contribution if they employ fewer than 25 full-time workers, pay average annual wages of less than \$50,000 and pay at least 50% of the premium. The employee will pay the premium balance through a payroll deduction, just as they do today. Enrollment can be handled online, or in-person through your insurance agent or with the assistance of *Covered California* Service Center staff.

## Appendix B: Insurance Agents Interview Guide

### Ogilvy West Covered California INSURANCE AGENTS INTERVIEW GUIDE

Revised Nov. 6, 4:30 p.m. (Pacific) Larry Bye

**A. Introduction, and Explanation of Process (1 minute)**

Thank you for agreeing to talk with us today. My name is \_\_\_\_\_, and I'm doing research for NORC at the University of Chicago. NORC is an independent, non-profit organization that conducts social science research in the public interest. For this project we are working with Ogilvy West and the California Health Benefit Exchange.

NORC is conducting this study to learn about the attitudes of agents who serve the small employer health insurance marketplace. We are interested in your views about changes in the small business health insurance market that will go into effect in 2014.

Our talk today will take about 30 minutes. NORC would like to record this discussion to make sure that our notes are correct and complete. We appreciate your open and honest feedback, but you can choose to skip questions or to end the discussion at any time. Is that OK with you?

**IF YES, BEGIN RECORDING AND CONTINUE**  
**IF NO, END INTERVIEW**

**B. Selling to the Small Business Market: Experience and Attitudes (5 minutes)**

1. How many years of experience do you have in working as an insurance agent? How many years in serving the small business health insurance marketplace?
2. Do you typically market insurance plans to individuals, small groups, larger groups, or some combination of those categories?
3. Are you self-employed or are you employed by a firm? If a firm, about how big is it? How long has it been in existence? What kinds of products does it sell?
4. In your experience what drives small employers to offer health insurance coverage? What are the main drivers? [EXPLAIN THAT WE MEAN 50 OR FEWER EMPLOYEES WHEN WE SAY SMALL BUSINESSES.]
5. What are the main barriers to their offering coverage for employees? [GET MULTIPLE ANSWERS.]
6. Are there some industries in which small businesses are more likely to purchase insurance? If so, which ones? [GET MULTIPLE ANSWERS.]
7. Are small employers with other types of insurance for their companies more likely to offer health insurance coverage?
8. When marketing insurance to small employers what channels do you use to reach them? In your experience which ones work best? [GET SPECIFICS.]
9. Looking ahead, do you see more small businesses offering health insurance, fewer, or about the same? [PROBE REASONS FOR A CHANGE. GET DETAILS]

**C. Health Insurance Changes: Awareness, Knowledge and Attitudes (7 minutes)**

1. What, if anything, have you heard about the changes that are coming in the health care system and the way that individuals and small businesses can buy health insurance? [PROBE FOR MULTIPLE ANSWERS AND ALL THEIR PERCEPTIONS .IF NOT HEARD OF, ASK WHETHER THEY HAVE HEARD OF HEALTH CARE REFORM PROPOSED BY PRESIDENT OBAMA AND PASSED BY CONGRESS IN 2010.]
2. How have you heard about these changes? [GET SOURCES]
3. What's your opinion? Will these changes be mostly good or bad for small businesses? What about the employees of small businesses?
4. In what ways will these changes be good/ bad for small businesses? What about for their employees? [PROBE FOR MULTIPLE ANSWERS. TRY AND GET ALL THE REASONS.]
5. Do you think that the changes will encourage or incentivizes small businesses to purchase health insurance for their employees? Why or why not? [GET MULTIPLE ANSWERS.]
6. Will there be any repercussions or negative impacts on small businesses that opt not to purchase health insurance for their employees after 2014? What have you heard about this? [GET SPECIFICS.]
7. [HAND OUT DESCRIPTION OF NEW MARKETPLACE AND ASK RESPONDENTS TO READ IT.]
8. How much of this were you aware of before today? What, if any, is new information? [GET MULTIPLE ANSWERS].
9. Now that you know a bit more, what do you think? Will this be good or bad for small businesses? What about for their employees? Why? [GET MULTIPLE ANSWERS AND SPECIFICS.]
10. What about for agents? Will it be good for them or not? Why? [GET MULTIPLE ANSWERS.]
11. What one word summarizes your feelings about these changes...as they will affect small businesses and agents? [GO AROUND THE ROOM. GET ONE WORD ONLY FROM EACH PARTICIPANT.]

**D. Interest in Exploring the New Small Employer Marketplace (5 minutes)**

1. Would you be interested in learning more about the new small business insurance marketplace? [GET COUNT.]
2. [IF YES] Can you tell me more about why you would be interested? What most attracts your interest? [PROBE FOR MULTIPLE ANSWERS.]
3. [IF YES] What specifically would you want to learn more about? What information would you would want to get? [PROBE FOR MULTIPLE ANSWERS.]
4. [IF NO OR UNSURE] Can you tell me your main reasons for not wanting to learn more or for being unsure? What turns makes you reluctant to learn more? [PROBE FOR MULTIPLE ANSWERS.]
5. [ASK ALL] Do you think small businesses will be interested in learning more? Why or why not? [GET MULTIPLE ANSWERS.]

### **E. Shopping for Insurance in the New Marketplace (5 minutes)**

1. [HAND OUT DESCRIPTION OF SHOPPING PROCESS AND ASK PARTICIPANTS TO READ IT. FOR THOSE WHO SAID THEY ARE NOT INTERESTED, TELL THEM THAT YOU WANT TO FURTHER EXPLORE THEIR VIEWS.]
2. How likely is it that you would use the new marketplace to shop for plans for clients? I mean shop, not actually purchase a plan.
3. [IF LIKELY] Why is that? What would be the reasons or advantages? [GET MULTIPLE RESPONSES.]
4. [IF NOT LIKELY OR UNSURE] Why is that? Why would you be unlikely or unsure? [PROBE FOR MULTIPLE ANSWERS]
5. Is there any **person** you would get advice from, or talk to, about whether to shop for plans at the new marketplace? I mean to use it to just shop. [IF YES, GET WHO PERSON IS OR MIGHT BE. PROBE FOR MULTIPLE ANSWERS. PROBE RELATIONSHIP E.G. COLLEAGUE, BOSS].
6. Is there any **organization** you would turn to for advice, or get information from, about whether to shop for plans in the new marketplace? Again, I mean just to use it just to shop. [IF YES, GET NAME OR DESCRIPTION OF ORGANIZATION. PROBE FOR MULTIPLE ANSWERS.]
7. What information would you most like to see built in to the online marketplace so that shopping is easy for agents? [GET MULTIPLE ANSWERS.]
8. What information will be of greatest interest to small employers? [GET MULTIPLE ANSWERS.]
9. *Covered California* will be offering a statewide agent certification program in 2013. Only certified agents will be allowed to use the new marketplace. Would you be interested in becoming certified? Why or why not? [GET MULTIPLE ANSWERS.]

### **F. Purchasing a Health Plan in the New Marketplace (5 minutes)**

1. [DISTRIBUTE PURCHASING INFORMATION.]
2. For those small businesses that do not provide coverage, how likely is it that they will provide it in 2014? What is your opinion? [GET HOW LIKELY.]
3. [IF LIKELY] Why is that? What will most influence their decision to do so? What benefits or advantages? [PROBE FOR MULTIPLE ANSWERS]
4. [IF UNLIKELY OR UNSURE] Why is that? What are the reasons why you are unsure or think it unlikely? [PROBE FOR MULTIPLE ANSWERS]
5. [ASK ALL] How important is the tax credit? Will it be a big factor in motivating small businesses to offer coverage? Why or why not? [GET MULTIPLE RESPONSES]
6. Who do small businesses get advice from or talk to about whether to purchase insurance and what to purchase? [HAVE THEM DESCRIBE SOURCE EXACTLY.]
7. For those who already provide coverage, do you see them making changes e.g. dropping it or making changes in what they offer?
8. [IF YES] What changes do you see them making and why? [GET SPECIFICS]

### **G. Thanks and Conclusion**

Wording of the three stimuli cards (note these are slightly different than for the focus groups so make sure these don't get mixed up!):

## New Health Insurance Options for Small Employers

Starting in 2014 small businesses will find that providing health insurance is easier and more affordable than ever before. *Covered California*, a new online insurance marketplace, is being set up by state government in order to make the process easy. All employers have to do is choose the level of coverage and benefits they are interested in providing. They will then provide employees the choice of any plan offered at this level. The cost of monthly premiums will depend on the level that is selected. The plans will be competitive with those offered to small businesses outside the new marketplace. Some employers will be eligible for a tax credit that will offset up to 50% of their premium costs. Participation is completely voluntary. There is no requirement to participate.

## Shopping for a Plan in the New Marketplace

*Covered California's* online insurance marketplace is designed to make the often complicated process of shopping for a group health plan easy. It will be easy to compare plan choices and premium prices at all of the coverage and benefit levels. Users who want in-person help can contact a certified agent or a *Covered California* representative by telephone. All employers have to do is choose the level of coverage and benefits they are interested in providing. They will then provide employees the choice of any plan offered at this level. Employers may set their budget by selecting a benchmark plan while allowing employees to select the plan or company which best meets their unique needs. If the cost is higher than for the employer's benchmark plan, the employee can pay the difference.

For the first time, small employers will have the purchasing power and flexibility to offer as much choice as larger employers with thousands of employees. Those who want to actually purchase a plan can do so online. They can also receive one convenient monthly billing statement that can be managed online. Employers can shop and enroll with the support of their insurance agent or a *Covered California* representative. Agent commissions will be same as in the current marketplace.

## Purchasing a Plan in the New Marketplace

In addition to being able to offer employees far more choices than ever before, the new marketplace will offset premium costs for many small businesses. Qualified small businesses will be eligible for a tax credit that will credit up to 50% of the premium contribution if they employ fewer than 25 full-time workers, pay average annual wages of less than \$50,000 and pay at least 50% of the premium. The employer can set a budget for their share of the premium and the employee will pay the balance through a payroll deduction, just as they do today. Enrollment can be handled online, or in-person through your insurance agent or with the assistance of *Covered California* Service Center staff.

## Appendix C: Small Business Screener

<p><b>RESULT:</b></p> <p><input type="checkbox"/> Ineligible</p> <p><input type="checkbox"/> Recruited</p>	<p><b>GROUP:</b></p>
------------------------------------------------------------------------------------------------------------	----------------------

### California Health Benefit Exchange SCREENING QUESTIONNAIRE

#### *SMALL BUSINESS OWNERS GROUP*

**Interviewer:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Time:** \_\_\_\_\_

#### INTRODUCTION

Hello. My name is \_\_\_\_\_ from \_\_\_\_\_, a research company here in \_\_\_\_\_. We're putting together a series of group interviews with people in the \_\_\_\_\_ area on California's Health Benefit Exchange. We are not selling any type of service or product. The group interviews are being held for the purpose of research only. Participants will be given a cash gift to thank them for their participation. All of your responses during our phone conversation today and during the group interview will be kept strictly confidential.

➤ **IF LANGUAGE BARRIER, END THE SCREENING**

1. May I please speak with the person at your company that makes decisions about the health care benefits for the employees?

NO	
YES, I MAKE THE DECISIONS OR I SHARE THE DECISION WITH SOMEONE ELSE AT THE COMPANY	

- THANK & TERMINATE
- CONTINUE TO 2

2. (ASCERTAIN GENDER/LANGUAGE SPOKEN)

ENGLISH SPEAKING	
OTHER	

- RECRUIT FOR GROUP, GO TO INTRO2.
- THANK AND TERMINATE

3. (ASK IF NOT AT WORK) What is a convenient time to call and speak with [him/her]?

NAME

TIMES TO CALL

\_\_\_\_\_

**INTRO2**

**WHEN YOU HAVE A RESPONDENT ON THE LINE**

As you may know, we're putting together a series of group interviews with small business health benefits decision makers in the \_\_\_\_\_ area on behalf of the California Health Benefit Exchange.

If you are interested, I would like to ask you a few questions to make sure we have a good representation among participants. These questions are only to insure a good mix of people in the discussion groups. First:

4. May I please confirm that you are the person at your company that makes decisions about the health care benefits for the employees?

NO	
YES, I MAKE THE DECISIONS OR I SHARE THE DECISION WITH SOMEONE ELSE AT THE COMPANY	

- THANK & TERMINATE
- CONTINUE TO 5

5. Do you currently offer a health insurance plan for your employees through your company?

YES	
NO	
REFUSED/DON'T KNOW	

- CONTINUE, RECRUIT 25% WHO CURRENTLY OFFER PLANS
- CONTINUE, RECRUIT 75% WHO DO NOT CURRENTLY OFFER PLANS
- THANK & TERMINATE

6. In 2014, there will be a new way for small business owners in California to compare and buy group health insurance plans to offer their employees. Employers will have the option of either making a full range of health plans to their employees, or limiting choice to one or more Qualified Health Plans. These plans will be more affordable than plans currently offered to small businesses. The monthly cost will depend on the plan chosen. Many employers will be eligible for a tax credit that would compensate up to 50% of their costs.

How likely is it that you would go to the Exchange for more information and to compare the plans?

VERY LIKELY		➤ CONTINUE
SOMEWHAT LIKELY		➤ CONTINUE
NOT VERY LIKELY		➤ THANK & TERMINATE
REFUSED/NOT SURE/DON'T KNOW		➤ THANK & TERMINATE

7. How likely is it that you would actually purchase a group insurance plan for your employees through the Exchange if you found a plan that was affordable?

VERY LIKELY		➤ CONTINUE
SOMEWHAT LIKELY		➤ CONTINUE
NOT VERY LIKELY		➤ THANK & TERMINATE
REFUSED/NOT SURE/DON'T KNOW		➤ THANK & TERMINATE

8. How many employees are there in your company?

2-24		➤ CONTINUE, RECRUIT 50% WITH 2-24 EMPLOYEES
25-50		➤ CONTINUE, RECRUIT 50% WITH 25-50 EMPLOYEES
REFUSED/DON'T KNOW		➤ THANK/TERMINATE

9. In what industry is your company?

\_\_\_\_\_ RECRUIT A MIX OF INDUSTRIES

10. Is your company woman-owned or minority-owned?

WOMAN-OWNED		➤ CONTINUE, RECRUIT 1/3 WOMAN-OWNED OR MINORITY-OWNED
MINORITY-OWNED		
NEITHER		➤ CONTINUE, RECRUIT 2/3 NON-WOMAN-OWNED OR NON-MINORITY-OWNED
REFUSED/DON'T KNOW		➤ THANK & TERMINATE

11. What is your racial or ethnic background?

Recruit for a balance of ethnicities – No more than 1/2 of participants White, 1/4 Hispanic, and 1/4 other.

HISPANIC/LATINO		➤ CONTINUE
WHITE		➤ CONTINUE
ASIAN		➤ CONTINUE
PACIFIC ISLANDER		➤ CONTINUE
AMERICAN INDIAN/ALASKAN NATIVE		➤ CONTINUE
AFRICAN AMERICAN		➤ CONTINUE
OTHER (SPECIFY) _____		➤ CONTINUE
REFUSED		➤ THANK & TERMINATE

12. What is your age?

**RECORD AGE:** \_\_\_\_\_

LESS THAN 18		➤ THANK & TERMINATE
18 – 30		➤ CONTINUE
31 – 44		➤ CONTINUE
OVER 45		➤ CONTINUE
REFUSED		➤ THANK & TERMINATE

13. Have you been in a roundtable discussion group before?

YES		➤ CONTINUE
NO		➤ GO TO Q18

14. How long ago was that?

LESS THAN 12 MONTHS AGO		➤ THANK & TERMINATE
MORE THAN 12 MONTHS AGO		➤ CONTINUE

15. Do you speak any languages other than English?

YES		➤ GO TO 18B
NO		➤ GO TO Q20
REFUSED		➤ CONTINUE

18b. What other language(s) do you speak? \_\_\_\_\_ CONTINUE

16. Would you feel comfortable listening and talking in a group in which only English is spoken?

YES	
NO	

- CONTINUE
- THANK & TERMINATE

17. ARTICULATION QUESTION:

Everyone feels stressed out from time to time. Please describe for me a few things that you do to help you feel less stressed. How often do you do that/those things? What have you found works best?

**RESPONDENT SHOULD ANSWER USING AT LEAST A FEW SHORT SENTENCES, GIVING A CLEAR, THOUGHTFUL RESPONSE.**

**DO NOT ACCEPT RESPONDENTS WHO ARE INARTICULATE, GIVE ONE-WORD ANSWERS OR NO ANSWER.**

18. We are recruiting individuals to participate in what's called a "roundtable discussion." A roundtable discussion is a type of interview in which 8 or 10 people are brought together to discuss issues. A moderator asks the group questions and everyone is expected to share their thoughts and opinions with the rest of the group. How comfortable would you feel talking to and sharing your thoughts in a roundtable discussion group?

VERY COMFORTABLE	
COMFORTABLE	
UNCOMFORTABLE	
VERY UNCOMFORTABLE	
REFUSED	

- CONTINUE TO INVITATION
- CONTINUE TO INVITATION
- THANK & TERMINATE
- THANK & TERMINATE
- THANK & TERMINATE

**GO TO INVITATION**

**INVITATION**

You qualify for one of the discussion groups. Refreshments will be served, and to thank people for their participation, each participant will be given \$75. The discussion will take about 2 hours. The group will be held on April 23<sup>th</sup> at 5:30 pm, at (ATKINS RESEARCH GROUP INC., 4929 WILSHIRE BLVD., SUITE #102, LOS ANGELES, CA 90010). Are you able to participate?

We will send you a letter confirming the date and location of the group, along with directions. Could I please have your name and address?

(They **must** be able to be reached to confirm their participation. Without mailing address, respondents **do not** qualify.)

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

We will call you a day or so before the group to confirm the time. What is the best time to reach you? What is the best telephone number to reach you at that time?

(They **must** be able to be reached to confirm their participation. Without phone number(s), respondents do not qualify.)

TIME \_\_\_\_\_

PHONE \_\_\_\_\_

Is there another time and number we can try if we miss you?

2<sup>nd</sup> TIME \_\_\_\_\_

2<sup>nd</sup> PHONE \_\_\_\_\_

If anything at all comes up and you won't be able to arrive on time or participate in the group, please call \_\_\_\_\_ at (\_\_\_\_) \_\_\_\_-\_\_\_\_. Because it is such a small group, if even 2 or 3 people who accept this invitation do not attend, we cannot conduct our group interview. The group will begin promptly at 5:30pm. Please arrive at least 10 minutes before the group begins. Late arrivers will not be accepted and will not receive the incentive gift.

We are really counting on you to attend the group. If for some reason you will not be able to attend, please let us know **immediately**, so we can try to find a replacement for you. You can call anytime, and if we are not here, please leave a message.

Thank You.

## Frequently-Asked Questions and How To Answer Them

---

▶ **What is a roundtable discussion group?**

A roundtable discussion group is a round table discussion that is led by a moderator. In a roundtable discussion group, people are asked to share their thoughts and opinions about a topic. There are no right or wrong answers and all information shared is kept confidential.

▶ **What is the California Health Benefit Exchange?**

In accordance with the Patient Protection and Affordable Care Act, California is working to improve the health of all Californians by assuring their access to affordable, high quality care. The mission of the California Health Benefit Exchange is to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

▶ **What is the difference between the California Health Benefit Exchange and the health insurance marketplace?**

The California Health Benefit Exchange is the state organization responsible for administration and oversight; the health insurance marketplace is where you will go (primarily, a website) to gather and compare information and purchase a health insurance plan best suited to you.

▶ **Why do you need to know my income?**

The plans offered through the health insurance marketplace will be available to all Californians; however some individuals' may qualify for added subsidies, based on income, to assist with the purchase of a plan and for some the plans may be free.

▶ **Why do you need to know my health status?**

The California Health Benefit Exchange wants to ensure that they reach all Californians who may need affordable access to health plans; individuals who are healthy may be less likely to be actively seeking a plan and we want to learn how to best reach this audience.

▶ **Why do you need to know if I have health insurance?**

The health insurance marketplace will be available to all Californians, but is primarily directed towards individuals facing institutional barriers to purchasing insurance – those whose employers do not provide health insurance, those forced into privately purchasing plans (pre-existing conditions, self-employed) or those whose income may be too high to qualify for public insurance but not high enough to afford their own insurance.

## Appendix D: Insurance Agents Screening Criteria

### California Health Benefit Exchange

#### *Insurance Agent IDIs*

---

#### SCREENING CRITERIA

- 1) Must be an agent selling health insurance to small businesses (defined as 2-50 employees)
- 2) Mix of agents who:
  - a. Sell to small businesses only (small businesses estimated at 80% or more of agent's book of business)
  - b. Sell to both small businesses and larger businesses, or to small business and individual market
- 3) Mix of agents from firms and independent agents
- 4) Mix of time that the agents have been insurance agents focusing on the small business market (more than/less than 10 years)
- 5) Mix of agents from Northern/Southern California (rural and urban)