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Massachusetts Businesses Express Support For Health Care Reform Objectives

*Survey Reveals Few Signs That Public Subsidies
Are Crowding Out Private Coverage*

Bethesda, MD -- Most Massachusetts businesses believe that they have a responsibility to help provide health benefits to their workers, support “play-or-pay” provisions of the state’s landmark 2006 health care reform legislation, and even believe that the play-or-pay requirements should apply to firms with ten or fewer workers, which they currently do not. Moreover, small employers in the state are not planning to restrict or end coverage in response to the recent reforms, according to survey results reported today in a *Health Affairs* Web Exclusive.

“Early results in Massachusetts are encouraging: Employers seem supportive of the key thrusts of the state’s reforms, and there are few signs that new public subsidies will crowd out private coverage,” said lead author Jon Gabel, a senior fellow at the National Opinion Research Center (NORC). “However, during the early stages of implementation, knowledge about the reforms was still limited in the business community,” he continued, “and in particular small employers were uninformed about the ‘Connector,’ the purchasing pool the state set up to help them obtain affordable coverage for their employees.” Gabel and a panel of employer, employee and government representatives will discuss the survey findings at a Boston event at 9:30 AM Wednesday, November 14; for details, contact Valerie Bassett at the phone number or e-mail address above.

The research by Gabel and NORC colleagues Heidi Whitmore and Jeremy Pickreign was funded by the Blue Cross Blue Shield of Massachusetts Foundation and the Robert Wood Johnson Foundation. Their article is based on a survey of employee benefit managers at 1,056 randomly selected public and private Massachusetts firms. The survey was conducted from February through June 2007, before any of the Massachusetts legislative provisions affecting employers

went into effect, and is intended to serve as a baseline against which future research can measure the impact of the reforms. In addition to questions about businesses' attitudes toward and knowledge of the reforms, the survey included questions about the benefits offered by Massachusetts employers and the premiums faced by these firms. A follow-up survey will be conducted in 2008.

The Massachusetts reforms require employers with eleven or more workers to either offer health insurance to their workers and contribute at least one-third of the cost of coverage, or pay an annual "fair share" contribution of \$295 per employee. In addition to establishing employer responsibility, the reforms also include several other major provisions, including (1) a Medicaid expansion for children with family incomes up to 300 percent of the federal poverty level and for unemployed, disabled, and HIV-positive adults; (2) income-related health insurance subsidies for households earning up to 300 percent of poverty; (3) a purchasing pool called the Commonwealth Health Insurance Connector Authority available to small-group and individual purchasers of health insurance; and (4) an individual mandate requiring all adults to have health insurance if they have access to affordable coverage.

Businesses Endorse Employer Responsibility For Benefits And Support Play-Or-Pay Reform Provisions

The RWJF/NORC survey found broad support among Massachusetts businesses both for the concept of employer responsibility for health benefits and for the specific provisions of the Massachusetts reforms. Seventy-seven percent of employers in the state either "strongly" (34 percent) or "somewhat" (43 percent) agreed with the statement that "all employers bear some responsibility for providing health benefits to their workers." The statement garnered majority support among firms of all sizes and even among firms not offering health benefits, although those nonofferers were significantly less likely than firms offering benefits were to strongly agree.

These sentiments translated into similarly widespread support for the "play-or-pay" aspects of the Massachusetts reform legislation: Sixty-nine percent of employers either "strongly" (35 percent) or "somewhat" (34 percent) agreed with the requirement that firms with eleven or more workers either offer health benefits or pay the "fair share" contribution of \$295 per worker. Even among nonoffering firms, half either "strongly" or "somewhat" supported this provision.

In fact, Massachusetts businesses were prepared to go farther than the state's recent legislation: A 55 percent majority of businesses either "strongly" (28 percent) or "somewhat" (27 percent) agreed that firms with ten or fewer workers should not be exempt from the play-or-pay requirement.

"This striking support among even the smallest businesses for universal employer responsibility speaks to how all sectors have taken on the shared goal of access to health care for all residents of the Commonwealth," noted Jarrett Barrios, president of the Blue Cross Blue Shield of Massachusetts Foundation.

Little Evidence Of Crowd-Out So Far

“Because of the new public subsidies contained in the Massachusetts reforms, the high cost of health coverage in Massachusetts, and the relatively modest \$295 per worker penalty for not offering coverage, some critics have argued that small Massachusetts employers would dump health benefits for their workers onto the public tab,” Gabel said. “However, our survey suggests that, so far at least, these concerns are unwarranted.”

Small Massachusetts firms (those with 3-50 workers) were no more likely than their counterparts in other states to report plans to drop or restrict coverage in the coming year. Only 3 percent of small firms in the Bay State said that they were planning to drop coverage, and only 5 percent reported plans to restrict eligibility. There is some evidence, however, of potential wage offsets by firms not offering coverage. Twenty-eight percent of firms said that they were “very likely” (16 percent) or “somewhat likely” (12 percent) to limit pay raises for employees earning less than \$29,400 a year, the limit for employees in firms not offering benefits to be eligible for the public subsidies contained in Massachusetts’ reforms.

Small Employers Know Little About Reforms

The RWJF/NORC survey found one worrisome sign for reform efforts: At the time the survey was done, small firms had a surprisingly low level of knowledge about the 2006 legislation. Among firms with 3-10 workers, only 14 percent of respondents said that they understood the reform plan “very well,” and 35 percent understood it “somewhat well.” Among firms with 11-50 workers, the firms most affected by reform, the corresponding figures were 18 percent and 43 percent, respectively. Overall, the media were the primary source of information about health reform, especially for firms with 50 or fewer employees.

Of perhaps most concern, small firms “are overwhelmingly unfamiliar with the Connector,” Gabel and colleagues say. Only 4 percent of small firms said that they were “very familiar” with the Connector, and 20 percent said they were “somewhat familiar” with it. Among firms indicating familiarity with the Connector, only 19 percent said that they planned to purchase insurance through it, largely because employers were happy with their current plans. For those that planned to purchase through the Connector, “better price” was the primary reason.

Gabel and coauthors warn that the unfamiliarity of small firms with the Connector, if unchanged, will pose a real challenge for the Massachusetts reforms. The Connector “has the potential to reduce administrative costs in the small-group and individual insurance markets, expand plan choice, increase portability, and have health plans compete in a managed competition environment. But for the Connector to fully succeed, some employers must buy through the Connector, and to buy through the Connector, they must understand it,” the researchers state.

Overall, though, the NORC researchers say that their survey results paint an encouraging picture of the initial stages of reform in Massachusetts: “Early results are encouraging, with no serious

signs of crowd-out and employers seemingly comfortable with the objectives and spirit of reform. Stay tuned for forthcoming results.”

After the embargo lifts on Wednesday, Nov. 14, at 12:01 AM ET, the article will be available at <http://content.healthaffairs.org/cgi/content/abstract/hlthaff.27.1.w13> The article and an accompanying RWJF/BCBSMA chartpack will also be available at <http://www.bcbsmafoundation.org/foundationroot/index.jsp>

About *Health Affairs*:

Health Affairs, published by Project HOPE, is the leading journal of health policy. The peer-reviewed journal appears bimonthly in print with additional online-only papers published weekly as *Health Affairs* Web Exclusives at www.healthaffairs.org.

About The Blue Cross Blue Shield of Massachusetts Foundation:

Since its inception in 2001, the Blue Cross Blue Shield of Massachusetts Foundation (www.bcbsmafoundation.org) has awarded grants of more than \$20 million to spark innovation and strengthen services for uninsured and low-income individuals and families in Massachusetts. The Foundation is governed by its own 17-member Board of Directors and operates separately from Blue Cross Blue Shield of Massachusetts. The Foundation has an endowment of nearly \$100 million making it the largest health access foundation in New England.

About NORC:

NORC conducts high quality social science research in the public interest from its offices in Chicago and the Washington, DC area.

About the Robert Wood Johnson Foundation:

The Robert Wood Johnson Foundation focuses on the pressing health and health care issues facing our country. As the nation's largest philanthropy devoted exclusively to improving the health and health care of all Americans, the Foundation works with a diverse group of organizations and individuals to identify solutions and achieve comprehensive, meaningful and timely change.