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New National Survey of Small Businesses

**MEASURES,  
SMALL BUSINESS EXECUTIVES SUPPORT CONSUMER PROTECTION  
EVEN IF PREMIUMS RISE AS A RESULT**

**Many Say They Would Pass Any New Costs Along to Employees  
But Equal Numbers Would Absorb Them**

Washington, DC – Discussion of health reform proposals always focuses heavily on their potential impact on the nation's small businesses. To shed light on how small employers feel about current proposals to protect consumers and regulate managed care, the Kaiser-Harvard Program on the Public and Health/Social Policy, in conjunction with the American Small Business Alliance Education Fund, conducted a new national survey of 800 small business executives. Most say they support leading consumer protection measures currently before Congress, even if premium costs rise as a result. However, almost as many say they would pass on any new costs to their employees as say they would absorb them.

Almost three-quarters of executives surveyed report their companies provide insurance to at least *some* of their full-time employees. When they were asked what *their business'* likely response would be if their share of premiums for an individual policy increased by either \$1-5 *or* \$15-20 a month as a result of consumer protection legislation – a range reflecting high and low cost estimates – the vast majority say they would maintain coverage. But many would pass costs along: 45-50% say they would *absorb all* costs, 33-35% *some*, and 8-9% say they would *pass all* increases along to employees. Between 1-3% of employers say they would drop coverage, depending on the size of the increase.

When asked what they believed *other employers* would do if consumer protection legislation passed, 42% predict “only a few” employers would drop coverage; 18% think “many” would, 9% think none would, and 29% say they don’t know. About a third (37%) expect the proposals to cause health insurance premiums to increase “a lot;” 25% say a little and 7% not at all; yet 30% say they don’t know what might happen to costs.

“The support from small employers for consumer protection regulation found in the survey is surprising, but their prediction that many would pass along costs to workers should serve as another reminder that in health reform there is no free lunch,” said Drew Altman, Ph.D., President of the Kaiser Family Foundation.

### Levels of Support for Consumer Protection

When asked how they feel about the key provisions of the leading consumer protection proposals, without being presented with any arguments for or against them, small business executives register strong support. Measures garnering the most support include requiring health plans to provide additional information on how they operate (89% favor; 5% oppose) and allowing appeals of health plan decisions (88% favor, 8% oppose). Allowing patients to sue their health plan is favored the least, but still earns majority support (61% favor, 30% oppose). Support falls, but still substantially outweighs opposition if small business executives hear that regulation might cause premiums to rise. (See table below.) Similar levels of support were reported by the general public in an earlier national survey conducted by the Kaiser-Harvard Program on the Public and Health/Social Policy.

<b>Small Business Executives Favor Proposals, But Support Falls When Consequences Offered Separately</b>				
(n=399)				
Would you favor a law requiring health plans to...			Would you still favor the law if you heard it might result higher premiums?	
	<b>Favor</b>	<b>Oppose</b>	<b>Favor</b>	<b>Oppose</b>
...provide more information about how they operate	89%	5%	69%	21%
...require ability to appeal health plans' decisions	88%	8%	72%	20%
...allow direct access to gynecologists	84%	11%	66%	26%

...allow direct access to specialists	75%	21%	59%	33%
...remove limits on coverage of emergency room visits	77%	18%	66%	27%
... allow patients to sue health plans	61%	30%	51%	36%

However, support falls much farther, and in some cases switches to opposition, if small employers hear that regulation might result in government becoming “too involved” in health care. For example, when presented with this argument, 44% still favor requiring that all patients have the ability to appeal health plan decisions but 42% oppose. For requiring direct access to specialists, 41% still favor and 50% oppose. Thirty-three percent still favor allowing patients to sue their health plans while 54% oppose.

Not surprising given their negative attitudes toward government, small business executives overwhelmingly want standards to be developed and enforced by a non-government, independent organization (62%); 14% say the managed care industry should regulate itself; and 12% say this should be the role of the government.

Despite their concern about government, in a head to head test of general values, more small business executives *favor* consumer protections to ensure people get the “care they need” than *oppose* them as “unnecessary government involvement.” For example, when presented with this trade-off, 81% favor requiring health plans to allow direct access to gynecologists (12% oppose), 74% favor assuring access to emergency room care (19% oppose), and 66% favor allowing patients to sue their health plan (25% oppose).

“These findings challenge traditional assumptions made about the small business community; in fact, today’s small businesses do care about quality health care, and believe it is worth paying for,” said Joel Marks, Executive Director of the Washington, D.C.-based ASBA Education Fund.

### **Health Insurance Practices of Small Businesses**

Almost three-fourths of small business executives surveyed (72%) report they offer health insurance to *at least some* of their full-time workers; 55% offer it to all. Of the 27% who offer no coverage, more than half (57%) say cost is the main reason.

The smallest of the small businesses – those with one to three full-time employees – are the least likely to insure their workers, with 41% offering coverage to all full-time

employees. Almost three-fourths (72%) of small businesses with 20-99 employees report offering coverage to all full-time workers.

Small businesses with fewer higher-wage employees were also less likely to offer health coverage. Of small businesses with:

- *no* employees earning more than \$30,000, 31% report offering insurance to all full-time workers;
- *fewer than half* of employees earning more than \$30,000, 59% report offering coverage; and
- *half or more* of employees earning more than \$30,000, 73% report offering insurance.

Of those offering coverage, the majority (81%) offer only one health plan to their workers. Major reasons cited by small business executives for not offering more choice of health plans include: coverage being too expensive (51% cited as a major reason); health plan rules that require all or most employees to be in the same plan (51%); and administrative burdens (40%). Fewer say not having enough different plans available locally is a major reason (21%).

Over half of small business executives (51%) report that they or someone they know has experienced problems with an HMO, managed care plan, or health insurance company. Small business executives who offer coverage report a variety of other attitudes toward and experiences with their health plans:

- Two-thirds (67%) give their largest employee health plan a grade of an A or a B.
- Twenty percent have been asked to intervene on behalf of an employee having problems with a health plan.
- Three in ten (30%) switched plans in the last two years.
- Half (50%) find dealing with health insurance issues at least somewhat easy and straight-forward, while 46% find the process at least somewhat difficult and confusing.

#### **Impact of Managed Care**

The survey found that the views of small business executives mirror those of the general public on managed care:

- 57% of small business executives think managed care has made it harder for people who are sick to see medical specialists (versus 59% of the general public);
- 58% say it has decreased the quality of care people receive when they are sick (versus 51% of the public);
- 65% say it has reduced the amount of time doctors spend with their patients (versus 61% of the general public);
- 43% say it has not made a difference in the cost of health care (versus 55% of the general public); about a third (31%) say it has helped keep costs down (versus 28% of general public).

[General public comparisons come from the *Kaiser Family Foundation/Harvard National Survey of Americans' Views on Managed Care*, November 1997.]

“Unlike the case of the 1994 health care reform debate, small business executives seem to see these consumer protection issues in much the same way the public does,” said Robert J. Blendon, professor of health policy and political analysis at Harvard University.

## **Methodology**

The *National Survey of Small Business Executives on Health Care* is a product of the Kaiser-Harvard Program on the Public and Health/Social Policy in conjunction with the American Small Business Alliance Education Fund. It was designed and analyzed by researchers at the Kaiser Family Foundation and Harvard University in conjunction with the ASBAEF. The survey was conducted by telephone by Princeton Survey Research Associates with 800 heads of companies and organizations with fewer than 100 full-time employees between March 18 and May 9, 1998. Respondents included sole/principal owners (45%); presidents/CEOs/executive directors (12%); other decision-makers such as chief operating officers, general managers, partners, chief financial officers, and vice presidents (17%), and decision-making employees including human resource directors (26%). The margin of error is plus or minus 5%.

The Kaiser-Harvard Program on the Public and Health/Social Policy is a partnership between the Kaiser Family Foundation and the Program on Public Opinion and Health Care at the Harvard School of Public Health. Established in 1995, the program seeks to provide for the media, policymakers, and the public an independent, nonpartisan analysis of public views and attitudes on key health care and social policy issues.

The American Small Businesses Alliance Education Fund (202/337-0037) is a nonprofit charitable organization. It conducts research and educates the public on the impact of small business on society, promotes opportunities and access in business for all people, and presents solutions for social and economic change.

The survey is available by calling the Kaiser Family Foundation’s publication request line at 800/656-4533. Ask for document #1403. The November 1997 *Kaiser Family Foundation/Harvard National Survey of Americans’ Views on Managed Care* (#1328) and the January 1998 *Kaiser/Harvard National Survey of American’s Views on Consumer Protections in Managed Care* (#1356) are also available. Related information can also be found on the Foundation’s web site at: [www.kff.org](http://www.kff.org).