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# **Condition Critical: A Survey of Washington Businesses about the Future of Employee Health Care Benefits**

June 2008



**Condition Critical:  
A Survey of Washington Businesses  
about the Future of Employee  
Health Care Benefits**

**By**

**Jennifer H. Sauer**

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## Executive Summary

Increasing health care costs are not only impacting consumer's pocketbooks and savings, but as premiums continue to rise, U.S. employers are increasingly challenged to maintain affordable employee health insurance. Many face difficult decisions in the near future as to what they can provide, what they must ask employees to contribute, or whether they can afford to keep the benefit at all. According to a Kaiser Family Foundation survey, over the past 8 years the number of U.S. companies offering employee health insurance has declined from 69 percent to 60 percent.<sup>1</sup> This AARP telephone survey interviewed 407 employers in Washington about this issue and found that, for them, premiums have indeed increased substantially over just the *past three years* and most say it will be challenging to provide such coverage over the *next three years*. The interviews were conducted from March 20 to April 1, 2008. The margin of error for the complete set of data is  $\pm 4.9\%$ . The response rate was 19 percent and the cooperation rate was 88 percent.<sup>2</sup>

### Survey Highlights:

- The data show that the cost of single coverage employee health insurance has increased overall in the past 3 years for Washington employers by about \$114 or 32 percent, but among the smaller sized companies with 2-9 employees the cost nearly doubled increasing by about \$327.00 or 91 percent.
- One-third of those who offer employee health insurance think it will be highly challenging (Extremely: 11%; Very: 22%) for the company to provide health insurance over the next three years, while another four in ten (40%) think it will be somewhat challenging.
- Looking ahead to the next three years and if current cost trends continue, Washington employers are somewhat to highly likely to maintain an employee health insurance plan, but will consider passing the cost burden onto employees, particularly the amount employees will pay for premiums (Likely: 65%), deductibles (Likely: 65%), and co-pays (Likely: 66%).
- Washington employers indicate a limit of what they can afford before dropping employee health coverage altogether. In fact, if employee health coverage increased by 15 percent, twenty-seven percent of employers say they would stop providing it, and forty percent would stop providing it if the costs increased by 25 percent. According to the Kaiser Family Foundation, health care premiums increased by 6.1 percent in 2007. If current trends continue, that first threshold of increased coverage costs may arrive in as little as two and half years.<sup>3</sup>
- Many Washington employers indicate that the rising cost of employee health coverage has reduced profits (58%) and raised consumer prices (39%). However, many employers also view an employee health benefit as having a major positive impact on a number of factors: employee recruitment (56%) and retention (49%), the health of their employees (37%), and the overall success of their business (33%).
- Among employers who currently *do not* offer employee health coverage, one-third (34%) have done so in the past. In fact, nearly half (48%) offered a plan up until just three years ago.
  - Affordability to the company and employees is clearly an issue – at least half of these employers say their major reasons for no health plan include the company cannot afford it (69%), revenues are too uncertain (53%), and employees cannot afford it (51%).

<sup>1</sup> Kaiser/HRET, Employer Health Benefits Survey, 2007.

<sup>2</sup> AAPOR Outcome Rate Calculator Version 2.1 May 2003.

<sup>3</sup> Kaiser/HRET Employer Health Benefits Survey, 2007.

## Background

The cost of employer-based health benefits in the U.S. continues to rise faster than the rate of inflation – essentially, health care costs are rising faster than workers’ earnings and the costs for materials for production and they are reducing business profits. In fact, the Kaiser Family Foundation notes that employer-based health insurance premiums have risen four times faster on average than workers earnings over the past eight years.<sup>4</sup> Kaiser notes that 10 percent of workers covered by employer insurance experienced premium increases greater than 15 percent.<sup>5</sup>

While America’s employer-sponsored health insurance system continues to provide health insurance to the vast majority of workers and their families, significant numbers of Americans are losing access to that coverage – in 2006 about 62 percent of non-elderly population was covered by employer-based health insurance which was down from about 68 percent in 2000.<sup>6</sup> Simultaneously, about 19 percent of all workers in the U.S. have no health insurance coverage.<sup>7</sup> Clearly, a decline in employer-sponsored health coverage and rising health care costs are among the major contributors to the increased number of adults living with little or no health insurance coverage.<sup>8</sup>

Some interesting statistics include:

- Over a third (36%) of workers nationwide ages 18-64 currently do not have employment-based health insurance.<sup>9</sup>
- In just six years, between 2000 and 2006, about 4 million more people in the U.S. under 65 dropped out of employer-based health insurance - 167.9 million workers in 2000 had employer-based coverage compared to 164.1 million in 2006.<sup>10</sup>
- Close to six in ten (59%) uninsured adults worked either full- or part-time, and 69 percent of the uninsured are in families that include at least one full-time worker.<sup>11</sup>

Retiree health benefits are clearly on the decline. Just 10 years ago, two-thirds of retired workers in the U.S. were offered retiree health insurance from their previous employers and in 2007, only about one-third of retired workers were offered this benefit.<sup>12</sup> Moreover, while workers ages 55-64 are the least likely to be uninsured, the percentage of those uninsured in this age group slightly increased to 11 percent in 2006 from 9.7 percent in 1999.<sup>13</sup> While employers in the U.S. appear to remain committed to the current system of being the chief provider of health coverage, some wonder when and who will be the first to step out due to rising health care costs.<sup>14</sup>

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<sup>4</sup> Kaiser/HRET Health Benefits Survey, 2007. <http://www.kff.org/insurance/7672/index.cfm>

<sup>5</sup> Ibid.

<sup>6</sup> EBRI, Campaign 2008: Facts on Benefits Issues, [www.ebri.org/campaign](http://www.ebri.org/campaign)

<sup>7</sup> Economic Policy Institute, (EPI), *The Erosion of Employment-based Insurance: More Working Families Left Uninsured*, Briefing Paper #203(Nov. 2007).

<sup>8</sup> Kaiser Commission on Medicaid and the Uninsured, *The Economic Downturn and Changes in Health Insurance Coverage, 2000-2003*.

<http://www.kff.org/uninsured/upload/EXECUTIVE-SUMMARY-The-Economic-Downturn-and-Changes-in-Health-Insurance-Coverage-2000-2003.pdf>

<sup>9</sup> Economic Policy Institute, (EPI), *The Erosion of Employment-based Insurance: More Working Families Left Uninsured*, Briefing Paper #203(Nov. 2007). <http://www.epi.org/briefingpapers/175/bp175.pdf>

<sup>10</sup> U.S. Census Bureau, Current Population Survey, Historical Health Insurance Tables.. Table HIA-6. Health Insurance Coverage Status and Type of Coverage – by State, Persons under age 65: 1999-2006.

<sup>11</sup> Kaiser Family Foundation, *Number of Uninsured U.S. Residents Increases by 2.2M to 47M in 2006*

[http://www.kaisernetwork.org/daily\\_reports/print\\_report.cfm?DR\\_ID=47178&dr\\_cat=3](http://www.kaisernetwork.org/daily_reports/print_report.cfm?DR_ID=47178&dr_cat=3)

<sup>12</sup> Kaiser/HRET Health Benefits Survey 2007.

<sup>13</sup> EBRI, *Fast Facts from EBRI: Health Care Coverage for Workers Ages 55-64*, FFE #78, April 11, 2008.

<sup>14</sup> EBRI, *The Future of Employment-Based Health Benefit: Have Employers Reached a Tipping Point?* February 2008, Vol 29, No. 2.

If current trends continue, nationally, businesses will be faced with placing more of the burden of paying for the increased cost of health care on the worker in increased employee premiums, increased contribution for prescription drug coverage, increased deductibles, or increased co-pay amount.<sup>15</sup>

While data on employer benefits and trends is widely available on a national level, state level employer data is minimal and varied. The AARP Washington state office commissioned a survey of employers in the state to gauge differences between national level data and Washington specific data on the impact of health care costs to employers. The survey explored Washington employer's perceptions of their ability to offer such benefits in the future as well as the reasons why some employers are not offering health insurance to their employees. In Washington state, among the one million non-elderly families who pay more than 10 percent of their pre-tax income on health care costs, 84 percent have health insurance. Likewise, among the 386,000 non-elderly families in the state that pay more than 25 percent of pre-tax income on health care costs, 79 percent of them have health insurance.<sup>16</sup>

The findings from this survey, as from other research on the topic, will contribute to a better understanding of the impact high health care costs have on employers, the success of their business, and the economic security of their employees and their families.

## Methodology

This AARP survey of employers in Washington obtained telephone interviews with 407 Washington businesses drawn at random from the population of Washington Businesses compiled by Dunn & Bradstreet and obtained from Accudata, Inc. Government offices were excluded from the sample. The sample was gathered such that there were approximately 80 interviews in each of the following categories: 2 – 9 employees (n=83), 10 – 24 employees (n=81), 25 – 49 employees (n=81), 50 – 99 employees (n=81), 100 or more employees (n=81). Respondents within the company were screened to insure that they had a primary responsibility for at least one of the following human resource functions: recruiting and/or hiring employees, managing employee benefits and compensation, conducting and/or supervising training and development programs for employees, managing or conducting dispute resolution between employees, management, and/or unions. The sample was not weighted. The interviews were conducted in English by Woelfel Research, Inc. from March 20 to April 1, 2008. The margin of error for the complete set of data is  $\pm 4.9$  percent. The response rate for this study was calculated using AAPOR's response rate 3 method. The cooperation rate was measured using AAPOR's cooperation rate 3 method.<sup>17</sup> The response rate was 19 percent and the cooperation rate was 88 percent. The questionnaire was developed by AARP staff.

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<sup>15</sup> Kaiser/HRET Health Benefits Survey, 2007.

<sup>16</sup> Families USA: Too Great A burden: Washington's Families at Risk, Dec. 2007. <http://www.familiesusa.org/resources/publications/reports/too-great-a-burden-findings.html>

<sup>17</sup> AAPOR Outcome Rate Calculator Version 2.1 May 2003.

## Responding Business Demographics

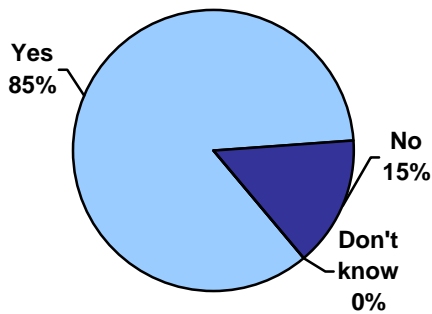
<b>407 WA Businesses/Employers</b>	
<b>Industry Type Represented</b>	
Construction	Mining (oil/gas)
Education	Software Technology
Finance	Telecommunications
Government	Transportation
Health	Utilities
Insurance	Wholesale
Manufacturing	Retail
<b>Company Size</b>	
2 – 9 employees	20%
10 – 24 employees	20%
25 – 49 employees	20%
50 – 99 employees	20%
100 or more employees	20%
<b>Years in Business</b>	
Less than 1 year	<.05%
1 to < 3 years	2%
3 to < 7 years	5%
7 to < 15 years	14%
15 or more years	79%
<b>Gross Revenue Completed Last Fiscal Year</b>	
Less than \$100,000	3%
\$100,000 to < \$500,000	8%
\$500,000 to <\$1M	9%
\$1M to < \$5M	29%
\$5M or more	25%
Don't know	16%
<b>Regions Represented</b>	
Eastern WA	34%
Western WA	72%

## Key Findings

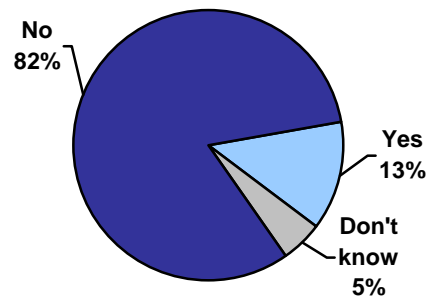
### How many Washington employers currently offer health coverage to their employees?

Overall, most employers surveyed offer or contribute to a health insurance program as a benefit to their employees, but only about one in ten continue to provide retiree health benefits to former employees. However, small businesses are less likely to provide benefits to current employees or retirees. Just half (54%) of businesses with 2 to 9 employees offer a health insurance program as a benefit to their employees and less than 4 percent of them provide retiree health benefits.

**Contributing to Health Insurance Program for *Current* Employees**  
(n=407 employers)



**Contributing to Health Insurance Program for *Retired* Employees**  
(n=407 employers)

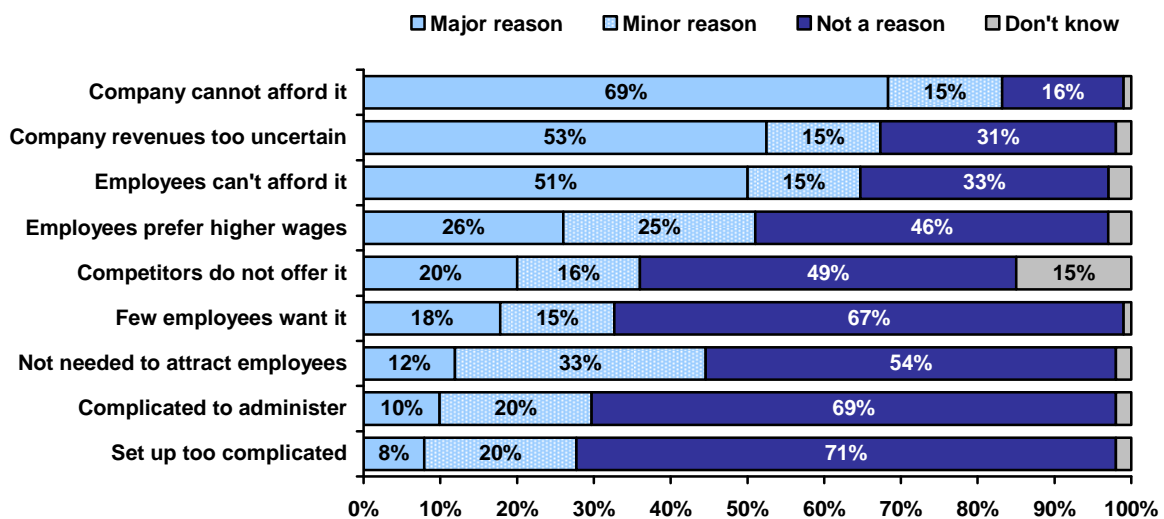


### ➤ Washington Employers Who Do Not Offer Employee Health Insurance

#### Why aren't some employers in Washington offering health insurance to employees?

Among the reasons tested in this survey as to why 15 percent of employers do not offer health coverage to current employees, affordability to the company and to the employee emerges as an issue – at least half of these employers say the company cannot afford it, revenues are too uncertain, and employees cannot afford it (see Annotated Survey, Questions 2a and 2b).

**Reasons for NOT Offering Health Insurance \*\***  
(n=61 employers)



\*\* Blanks represent less than 5% of respondents.



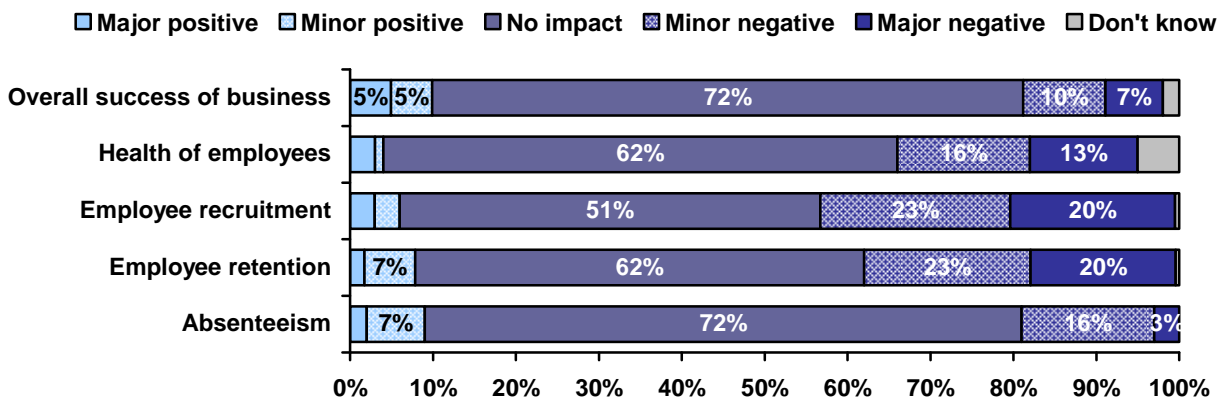
### Have these employers ever offered health insurance to their employees?

Yes. In fact, about a third (34%) of those employers who currently do not offer employee health coverage, have done so in the past. Over one-quarter offered a plan up until just two years ago, but nearly half offered a plan up until just three years ago.

When WA Employers Offered Health Insurance (n=21 employers w/ no employee insurance)	
Less than 1 year ago	14%
1 year but less than 2 years ago	14%
2 years but less than 3 years ago	19%
3 years but less than 5 years ago	10%
5 years ago or more	38%
Don't know	5%

Of the few employers who do not offer employee health insurance, most have felt no impact on any of the six factors tested in this survey as a result of not offering employee health insurance. Still, some do indeed report a minor or major negative impact on employee recruitment, employee retention, and employee attitude.

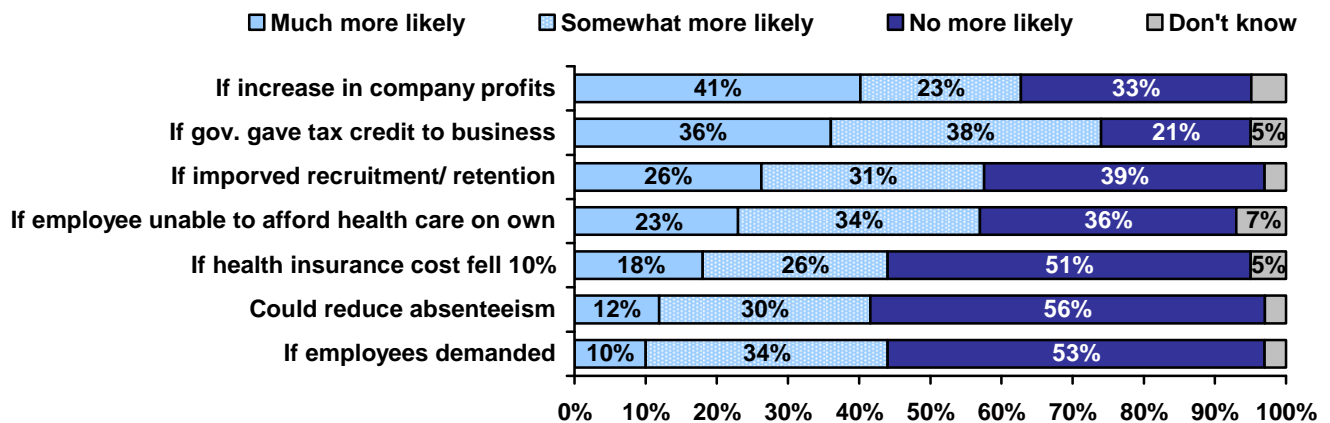
**Level of Impact of No Employee Health Insurance**  
(n=61 employers w/ no employee insurance)



### Will these employers offer employee health coverage in the future?

Depends. Looking toward the future, at least one-third indicate they would be much more likely to consider offering health insurance to their employees if there was an increase in their company's profits or if the government provided tax credits to reduce the cost of providing health insurance to employees. About one-quarter would be much more likely to offer it if it demonstrated improved employee recruitment and retention or if they knew that employees and their families were unable to afford health care on their own.

**Likelihood of Factors Influencing Provision of Employee Health Insurance**  
(n=61 employers w/ no employee insurance)



## Would government-mandated employee health coverage make a difference?

Not necessarily. When asked to consider a government mandate that small businesses contribute to health coverage for their employees and how much they could afford to pay annually for each employee, most employers who do not offer health coverage indicate they could pay an amount that is considerably lower than current health care costs and what other employers report as their average monthly and annual premium as shown below. Almost half of these employers indicate they could pay up to \$1,000 per employee. Another one in ten could pay \$1,500 per employee and twelve percent say they still could pay nothing to employee health coverage.

Amount Employers Can Pay Annually if Mandated by Government. (n=61 employers w/ no employee insurance)	
Less than \$500 per employee	12%
\$500 per employee	16%
\$1,000 per employee	18%
\$1,500 per employee	13%
More than \$1,500	9%
Nothing	12%
Don't know	16%

## ➤ Washington Employers Who Offer Employee Health Insurance

### Has the cost of single coverage employee health insurance increased in the past 3 years?

Yes. Most of those Washington employers who currently offer an employee health insurance plan say they offered that same plan three years ago (Yes: **72%**; No: **24%**). The overall percent increase in average premiums costs between today and three years ago is about 32 percent – an increase of about \$114.00. Furthermore, a comparison of the mean premium prices between three years ago and at the time of this survey does indeed show a considerable increase in the price employers have paid for premiums per single employee coverage over that time, particularly among the smaller sized companies.

Mean Monthly Premium Per Employee for Single Coverage by Company Size (among employers w/employee insurance and employers offering insurance 3 years ago)**		
No. of Employees	Average cost 3 yrs ago	Average cost currently
2-9	\$359.81 (n=16)	\$686.87 (n=28)
2 to 24	\$343.49 (n=41)	\$543.90 (n=82)
25 to 99	\$350.02 (n=61)	\$461.70 (n=125)
100 or more	\$388.71 (n=31)	\$390.90 (n=61)
50 or more	\$363.05 (n=92)	\$439.64 (n=184)

\*\* n's vary due to selecting for employers providing coverage, employers offering coverage 3 years ago, and excluding those who don't know or missing.

When asked if they have had to increase the employee's contribution to the company health coverage plan, most say no, they did not (Yes: **33%**; No: **62%**). However, when asked more specifically if the deductibles and co-pays in their health plan are higher, lower, or about the same as they were three years ago, nearly half in fact indicate the deductible and co-pays are actually higher now (see Annotated Survey, Question 13).

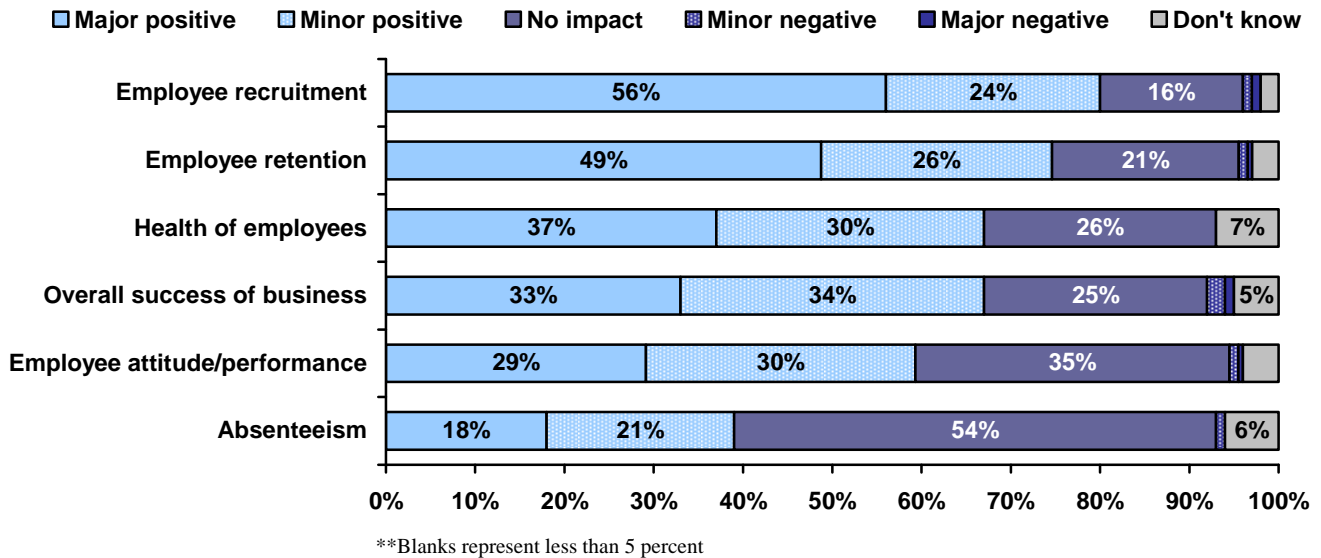
Current Employee Co-Pays Compared to 3 Years Ago (n=346 employers w/employee insurance)	
Higher	44%
Lower	4%
About the same	46%
Don't know	6%

Current Deductibles Compared to 3 Years Ago (n=346 employers w/employee insurance)	
Higher	46%
Lower	5%
About the same	45%
Don't know	4%

### What is the impact and affect of employee health insurance plans on employers?

When asked to consider the impact offering health insurance has had, the data show that overall, offering employee health insurance has had a positive impact in many areas. Among six possible factors that could be impacted by the offer of employee health coverage, at least half of Washington employers say that offering such a plan has had a major positive impact on employee recruitment and employee retention. In addition, roughly one-third say it had a major positive impact on the health of their employees and the overall success of their business. Still, a little over half of all employers who offer health coverage say that it has had no impact on absenteeism.

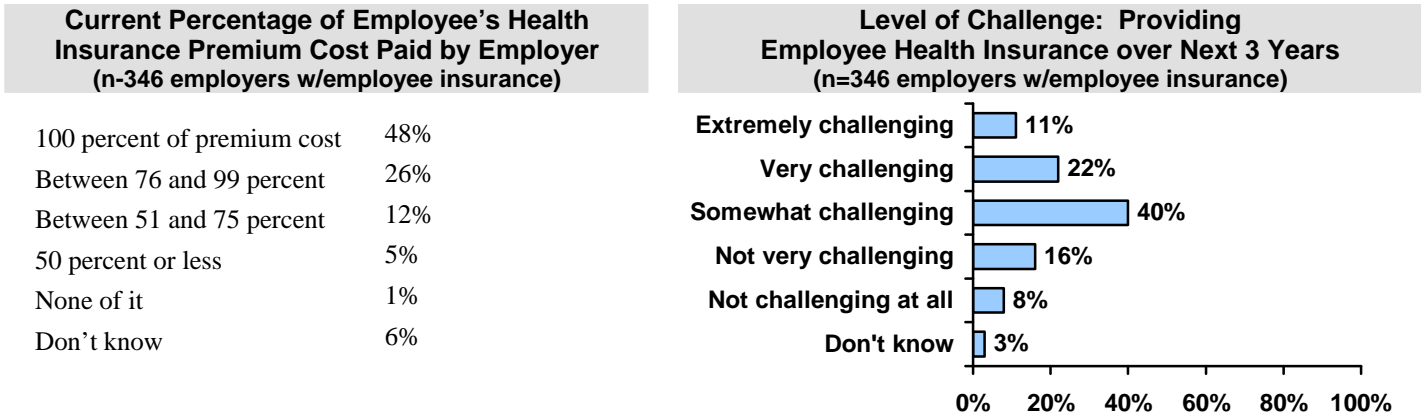
**Level of Impact: Offering Employee Health Insurance**  
(n=346 employers w/employee insurance)\*\*



Washington employers who offer employee health coverage report that reduced profits and raised consumer prices are the two top factors affected by the cost of employee health insurance. However, more than a quarter indicate that the cost of employee health coverage reduces other employee benefits, as well as reduces or eliminates raises and bonuses. High health insurance costs have not affected equipment purchases, hiring or laying off workers, or reducing some employee’s status from full-time to part-time.

Cost of Providing Employee Health Insurance: Affect on Employer (n=346 employers w/employee insurance)		
	Yes	No
Reduced profits	58%	37%
Raised prices to customers	39%	56%
Reduced other employee benefits	28%	71%
Reduced/eliminated raises/bonuses	27%	71%
Put off buying equipment/other	21%	77%
Prevented hiring workers	10%	88%
Changes some workers from FT to PT	9%	90%
Required some workers laid off	6%	93%

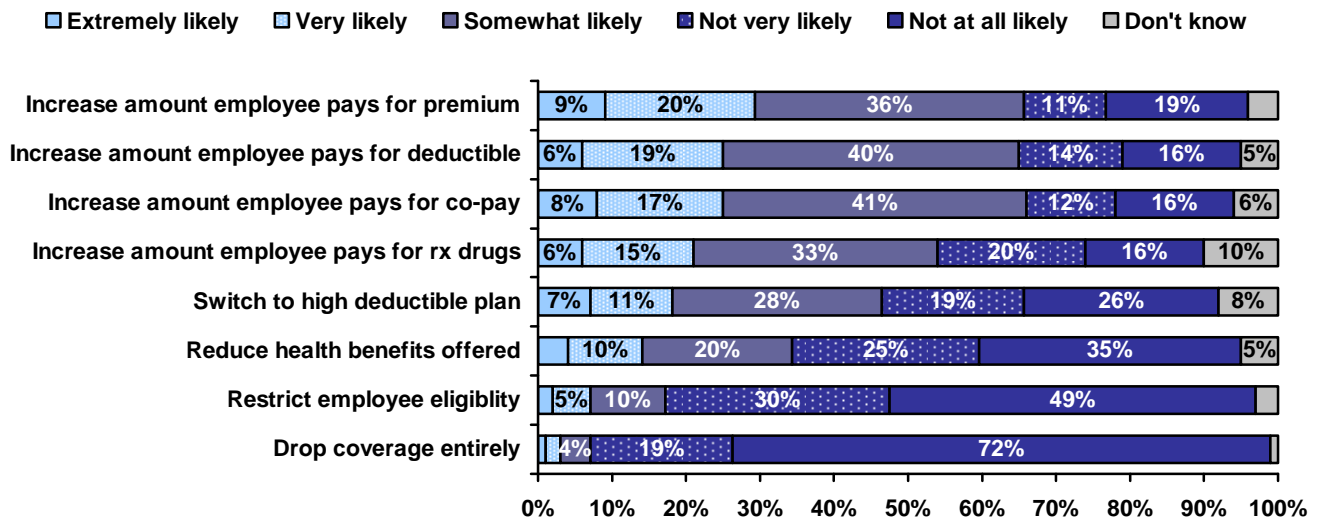
Currently, among all employers who offer health coverage to employees, most currently pay at least half of their employees' insurance premiums for individuals with single coverage, with 48 percent of them paying *all* of the employees' premium cost. However, when asked to consider how challenging it will be for the company to provide health insurance over the next three years, one-third think it will be highly challenging while another four in ten think it will be somewhat challenging.



**What will employers do in the future if health coverage costs continue to rise?**

However, looking ahead to the next three years and if current trends continue, the data indicate that Washington employers are likely to maintain an employee health insurance plan or coverage, but are likely to pass more cost burden onto the employee. While most are not likely to restrict employee eligibility for coverage or reduce health benefits offered through their plan, many indicate they are highly likely to increase the amount employees will have to pay for premiums, deductibles, and co-pays.

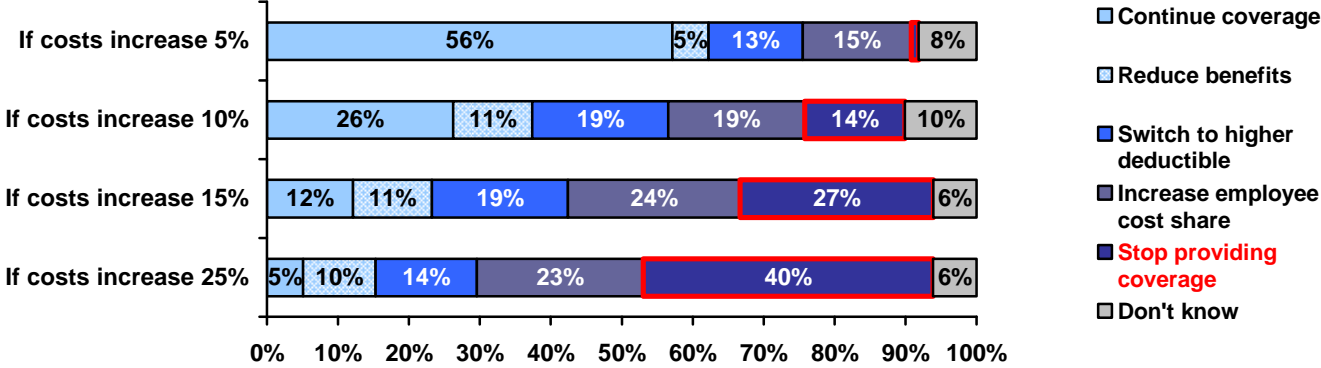
**Likelihood of Employer to Make Certain Changes to Health Plan in Next 3 Years if Current Cost Trends Continue (n=346 employers w/employee insurance)\*\***



\*\* Blanks represent less than 5 percent

In fact, when considering specific increases in the cost of health insurance coverage, while most employers would take measures such as reducing benefits covered, switching to higher deductible policies, or increasing the employee’s share of the cost, the data also show that many employers would indeed stop providing employee health insurance. If the cost of employee health insurance coverage were to increase by 15 percent, over one-quarter of Washington employers who currently offer employee health coverage say their company would stop providing it. Forty-percent say they would stop providing employee health coverage if the costs of providing it increased by 25 percent.

**Possible Actions Taken by Washington Employers  
as Cost of Employee Health Coverage Increases  
(n=346 employers w/employee insurance)\*\***



\*\*Blanks represent less than 5 percent

## Summary of Findings

Based on voluminous research from many organizations examining the impact of rising health care costs on employers, consumers, and the economy, it is clear this survey adds to that knowledge by illustrating the idiosyncratic differences that need to be and can be addressed at the state level. With no real end in sight to the soaring costs for health care and insurance, this survey and those at the national level continue to prompt policy makers and government leaders to engage in some action that will contain and reduce these costs for consumers. This research also suggests an examination of the workers' perception of the future of health care coverage and how they will cope with minimal or no employer-based coverage.

This survey found, as nationally, that most employers in Washington state offer a health insurance benefit to their employees while about one in seven do not. Affordability is a key issue among those employers who do not offer health insurance coverage – over half of them report the employees cannot afford it, the company cannot afford it, and the companies' revenues are too uncertain. Still, about one-quarter say their employees prefer higher wages. Interestingly, many of these employers have offered employee health coverage in the past, and almost half say they would offer this coverage if mandated to do so by government. However, while most of these employers indicate no impact as a result of no employee health coverage on six possible business factors, many do report a major or minor negative impact on employee recruitment, and employee attitude/performance.

Among the employers in this survey who do offer coverage to their employees, the continued affordability of those benefits is becoming an issue. The data clearly show that health care costs, namely premiums, have indeed risen significantly for many Washington employers by 32 percent in the past three years. Moreover, most report that current employee co-pays and deductibles are higher or have remained the same over the past three years while only 5 percent or less say these costs have actually been lower than in the recent past. Still, the data indicate that employers intend to continue offering employee health insurance in light of rising costs but consider increasing the employee's contribution to this benefit. However, if costs were to increase by at least 15 percent, many will consider terminating this benefit. Though challenging for most to provide, employers in Washington clearly understand the value of offering a health insurance plan – employee recruitment and retention, health of employees, and overall success of the business are viewed as major positive impacts of the benefit by at least one-third of them. But, many do indicate the business 'costs' of employee health benefits – reduced profits and increased prices to customers.

## **ANNOTATED SURVEY**

**AARP WA STATE BUSINESS SURVEY ON HEALTH BENEFITS**  
**N=407, Sampling Error =±4.9 percent**

**INTRODUCTION**

[INTERVIEWER: LOCATE POTENTIAL RESPONDENT IN COMPANY]

[ONCE POTENTIAL RESPONDENT IS ON THE PHONE: Good [Morning/Afternoon], my name is [Interviewer First and Last Name] and I am calling from [INSERT RESEARCH SUPPLIER NAME], an independent research firm. We have been commissioned to conduct a study of the challenges facing businesses throughout Washington regarding health insurance.

Your organization has been randomly selected as one of only a very few companies to be included in this study. And as such your participation is truly very important to us.

Because we know we are imposing on your time, we have worked to make this survey as short as possible. Is now a good time to conduct a short, no more than 10 minute, interview?

[CONTINUE]

[SCHEDULE CALLBACK]

[REFUSED]

**SCREENER**

S1. Are you the senior level executive responsible for making human resources decisions at your company?

- 1 Yes → [SKIP TO S2]
- 2 No
- 3 DON'T KNOW / NOT SURE
- 4 REFUSED → [TERMINATE AS REFUSED QUAL]

S1a. Are you a Manager of Compensation, HR Specialist, or HR Generalist for your company?

- 1 Yes → [SKIP TO S2]
- 2 No
- 3 DON'T KNOW / NOT SURE
- 4 REFUSED → [TERMINATE AS REFUSED QUAL]

S1b. Do you have primary responsibility for any of the following human resource functions at your company?

[RECORD ANSWER FOR EACH]

- a. recruiting and/or hiring employees
- b. managing employee benefits and compensation
- c. conducting and/or supervising training and development programs for employees
- d. managing or conducting dispute resolution between employees, management, and/or unions

- 1 Yes → [YES TO ANY OF THE ABOVE = SKIP TO S2]
- 2 No ←
- 3 DON'T KNOW / NOT SURE ←
- 4 REFUSED → [TERMINATE AS REFUSED QUAL]

“No” or “DON'T KNOW”  
to ALL = [TERMINATE  
AS DISQUAL]



S2. Excluding contract or contingent employees, approximately how many full-time employees does your company have in all locations in Washington? [RECORD ACTUAL NUMBER IN SEPARATE FIELD, THEN AUTOPUNCH CATEGORIES BELOW. QUOTA = 80 COMPLETES IN EACH CATEGORY 2 THRU 6]

Base: Total Respondents	N=407 %
1. One [INTERVIEWERS DETERMINE WHETHER THE "ONE" IS THE RESPONDENT, AND IF SO CONFIRM THEY ARE SELF-EMPLOYED, OR CONFIRM "ONE" IS THE RESPONDENT PLUS ONE OTHER PERSON IN WHICH CASE THE ANSWER IS ACTUALLY THE NEXT CATEGORY, "2 to 9"]	-
2. 2 to 9	20
3. 10 to 24	20
4. 25 to 49	20
5. 50 to 99	20
6. 100 or more	20
7. SELF-EMPLOYED [VOLUNTEERED]	-
8. DON'T KNOW	-
9. REFUSED	-

S3. Excluding contract or contingent employees, approximately how many part-time employees does your company have in all locations in Washington? [RECORD ACTUAL NUMBER IN SEPARATE FIELD, THEN AUTOPUNCH CATEGORIES BELOW.]

Base: Total Respondents	N=407 %
1. None	30
2. One	8
3. 2 to 9	32
4. 10 to 24	10
5. 25 to 49	9
6. 50 to 99	4
7. 100 or more	6
8. DON'T KNOW	1
9. REFUSED	-

[IF S2 = 1 OR 7 OR 8, TERMINATE AS DISQUAL, IF S2=9, TERMINATE AS REFUSED QUAL. SAVE THIS INFORMATION FOR ALL SAMPLE RECORDS, BOTH COMPLETES AND NON-COMPLETES.]

## MAIN QUESTIONNAIRE

1. Does your company offer or contribute to a health insurance program as a benefit to your employees?<sup>18</sup>

Base: Total Respondents	N=407 %
1. Yes	85
2. No	15
3. DON'T KNOW	-
4. REFUSED → [TERMINATE AS REFUSED Q1]	-

2. Does your firm currently provide retiree health benefits to former employees that have retired from the firm?

Base: Total Respondents	N=407 %
5. Yes	13
6. No	82
7. DON'T KNOW	5
8. REFUSED	<0.5

[IF Q1 = 1, SKIP TO Q8]

## COMPANIES NOT PROVIDING HEALTH INSURANCE

- 2a. Next I'm going to read a list of reasons some companies have for not offering health insurance to their employees. As I read each reason, please tell me whether this is a major reason, a minor reason, or not a reason YOUR company does not offer health insurance to employees. The first/next reason is... [RANDOMIZE ORDER]

Base: Does not provide health benefits N=61	Major Reason %	Minor Reason %	Not a Reason %	Don't Know %
A. The company cannot afford it	69	15	16	-
B. Employees cannot afford it	51	15	33	2
C. The company's revenues are too uncertain to commit to offering a plan	53	15	31	2
D. The company does not really need to offer it in order to attract good employees	12	33	54	2
E. Competitors do not offer it either	20	16	49	15
F. It is too complicated to set up	8	20	71	2
G. It is too complicated to administer	10	20	69	2
H. Too few of the company's employees want it	18	15	67	-
I. Employees would rather have higher wages so they can pay for insurance on their own	26	25	46	3

<sup>18</sup> Based on Kaiser/HRET- Employer Health Benefits Survey, 2007, A6

2b. [ASK ONLY IF MORE THAN ONE ITEM IN Q2a IS RATED A “MAJOR” OR “MINOR” REASON OTHERWISE SKIP TO Q2c.] Of the reasons you have identified as being either major or minor reasons YOUR company does not offer health insurance to employees, which one is the most important reason? [ONLY SHOW ITEMS IDENTIFIED AS “MAJOR” OR “MINOR”] [DISPLAY ITEMS IN SAME ORDER AS Q2a] [INTERVIEWERS: READ LIST IF NECESSARY]

Base: More than one item rated “major” or “minor”	N=56 %
A. The company cannot afford it	66
B. Employees cannot afford it	4
C. The company’s revenues are too uncertain to commit to offering a plan	5
D. The company does not really need to offer it in order to attract good employees	4
E. Competitors do not offer it either	-
F. It is too complicated to set up	2
G. It is too complicated to administer	-
H. Too few of the company’s employees want it	11
I. Employees would rather have higher wages so they can pay for insurance on their own	5
J. Don’t Know	4

[SKIP TO Q3a]

2c. In your own words, what is the most important reason your company does not offer health insurance to employees? [INTERVIEWERS: RECORD VERBATIM RESPONSE]

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3a. At any time in the past, has your company offered or contributed to a health insurance plan for your employees?

Base: Does not provide health benefits	N=61 %
1. Yes	34
2. No	62
3. DON’T KNOW	3
4. REFUSED → [TERMINATE AS REFUSED Q1]	-

3b. How long ago did you stop offering this health insurance program? Has it been less than one year since you stopped offering health insurance, at least one year but less than two years, at least two years but less than three, at least three but less than five, or has it been five or more years since you offered health insurance to your employees?

Base: Had offered or contributed to a health insurance plan	N=21 %
1. Less than one year	14
2. One to less than Two	14
3. Two to less than Three	19
4. Three to less than Five	10
5. Five years or more	38
6. DON’T KNOW / NOT SURE	5
7. REFUSED	-

4. Next I'd like to ask you about the impact you think not offering health insurance has had?  
 [REPEAT THE FOLLOWING AS NECESSARY: "Do you think that not offering health insurance has had a major POSITIVE impact, a minor POSITIVE impact, a minor NEGATIVE impact, a major NEGATIVE impact, or no impact at all on...]"<sup>19</sup>

Base: Does not provide health benefits N=61	Major Positive %	Minor Positive %	No Impact %	Minor Negative %	Major Negative %	Don't Know %
A. Employee recruitment	3	3	51	23	20	-
B. Employee retention	2	7	62	16	13	-
C. Employee attitude and performance	3	2	59	26	5	5
D. The health of your employees	3	-	62	16	13	5
E. Absenteeism	2	7	72	16	3	-
F. The overall success of your business	5	5	72	10	7	2

[PROGRAMMERS: RECODE SCALE IN Q5 SO THAT CATEGORY 5 BECOMES MIDDLE OF SCALE AND HIGH NUMBERS INDICATE MORE POSITIVE IMPACT.]

6. Next I am going to read some reasons a company might seriously consider offering health insurance to employees. As I read each one, please tell me whether this would make YOUR company much more likely, somewhat more likely, or no more likely to seriously consider offering health insurance to your employees. The first/next reason is...[RANDOMIZE ORDER]

[READ AS NECESSARY: "Would this make YOUR company much more likely, somewhat more likely, or no more likely to seriously consider offering health insurance to your employees?"]

Base: Does not provide health benefits N=61	Much More Likely %	Somewhat More Likely %	No More Likely %	Don't Know %
If your employees demanded or expected it .....	10	34	53	3
If it could be demonstrated that it would improve recruitment and retention.....	26	31	39	3
If it could be demonstrated that it reduced absenteeism by keeping employees healthy .....	12	30	56	3
If there was an increase in your company's profits	41	23	33	3
If the cost of health insurance fell 10 percent .....	18	26	51	5
If you knew that employees and their families were unable to afford health care on their own.....	23	34	36	7
If the government provided tax credits to reduce the cost of providing health insurance to employees.....	36	38	21	5

<sup>19</sup> 2002 Small Employer Health Insurance Survey, EBRI

7. If the government mandated that small business contribute financially to the provision of health insurance for their employees, what is the most your company could likely afford to pay annually for each employee to have health insurance?

Base: Does not provide health benefits	N=61 %
1. \$4,000 per employee	3
2. \$3,000 per employee	-
3. \$2,500 per employee	3
4. \$2,000 per employee	3
5. \$1,500 per employee	13
6. \$1,000 per employee	18
7. \$500 per employee	16
8. Less than \$500 per employee	12
9. Nothing	12
10. DON'T KNOW / NOT SURE	16
11. REFUSED	3

[SKIP TO DEMOGRAPHICS]

### **COMPANIES THAT PROVIDE HEALTH INSURANCE**

8. [IF FEWER THAN 25 EMPLOYEES ASK: "How many of your current employees are eligible for your health insurance benefit?"] [IF 25 OR MORE EMPLOYEES ASK: "What percentage of your current employees are eligible for your health insurance benefit?"] Please do not include any dependents or retiree health plan participants in your answer.<sup>20</sup> [RECORD ACTUAL NUMBER OR PERCENT] [CONSTRAIN NUMBER FROM 0 TO 24 AND CONSTRAIN PERCENT FROM 0 TO 100]

- a. \_\_\_\_\_ # of eligible employees

Base: Less than 25 employees and provides health benefits	N=95 %
One	1
Two	1
Three	6
Four	7
Five	11
Six	6
Seven	10
Eight	4
Nine	2
Ten	16
11-15	19
16-24	16
Don't Know	1

<sup>20</sup> Kaiser/HRET- Employer Health Benefits Survey, 2007, B6a

8 b. \_\_\_\_\_ % of eligible employees

Base: Provides health benefits	N=346 %
0% - 10%	2
11% - 20%	1
21% - 30%	4
31% - 40%	1
41% - 50%	7
51% - 60%	5
61% - 70%	4
71% - 80%	12
81% - 90%	11
91% - 99%	11
100%	40
Don't Know	2
<b>Mean</b>	<b>82%</b>

[PROGRAMMERS: BASED ON ACTUAL NUMBER OF EMPLOYEES GIVEN AT S2 AND S3, CALCULATE AND SAVE PERCENTAGE FOR RESPONSES TO Q8a AND CREATE NEW DATA COLUMN REFLECTING PERCENTAGE ELIGIBLE FOR HEALTH INSURANCE BENEFITS FOR ALL RESPONDENTS, MEANING ONE DATA COLUMN THAT HAS THE PERCENTAGE FOR BOTH SETS OF RESPONDENTS (THOSE ANSWERING Q8a AND Q8b).]

9. What is the total monthly premium cost per employee for single coverage through your health insurance plan? That is, what is the total amount your company pays plus the amount paid by the employee?<sup>21</sup> [IF MORE THAN ONE PLAN OFFERED ADD: "Please report the total monthly premium cost per employee for single coverage through the most common plan you offer.]  
[RECORD THE ACTUAL AMOUNT] \$ \_\_\_\_\_

Base: Provides health benefits	N=346 %
Less than \$100	3
\$100 - \$199	2
\$200 - \$299	16
\$300 - \$399	24
\$400 - \$499	17
\$500 - \$750	7
\$751 - \$1000	4
\$1001 - \$2500	2
Greater than \$2500	1
Don't Know	23
<b>Mean</b>	<b>\$471.80</b>

<sup>21</sup> Kaiser/HRET- Employer Health Benefits Survey, 2007, D10L

10. Did you offer this plan three years ago? [INTERVIEWERS: IF NECESSARY CLARIFY WE ARE STILL TALKING ABOUT THE MOST COMMON PLAN]

Base: Provides health benefits	N=346 %
1. Yes	72
2. No → [SKIP TO Q11b]	24
3. DON'T KNOW → [SKIP TO Q11b]	4
4. REFUSED → [SKIP TO Q11b]	-

11a. What was the total monthly premium cost per employee for single coverage through your health insurance plan three years ago? That is, what was the total amount your company paid plus the amount paid by the employee? [IF MORE THAN ONE PLAN OFFERED ADD: "Please report the total monthly premium cost per employee for single coverage through the most common plan you offered three years ago.] [INTERVIEWERS: IF NECESSARY CLARIFY WE ARE STILL TALKING ABOUT THE MOST COMMON PLAN] [RECORD THE ACTUAL AMOUNT ]

Base: Offered this plan three years ago	N=250 %
Less than \$100	2
\$100 - \$199	4
\$200 - \$299	16
\$300 - \$399	15
\$400 - \$499	8
\$500 - \$750	4
\$751 - \$1000	3
\$1001 - \$2500	<0.5
Greater than \$2500	<0.5
Don't Know	46
<b>Mean</b>	<b>\$406.60</b>

11aa. In your opinion, compared to three years ago, are the total health insurance premiums higher, lower or about the same? [INTERVIEWERS: IF NECESSARY CLARIFY WE ARE STILL TALKING ABOUT THE MOST COMMON PLAN]

Base: Don't know total monthly premium cost three years ago	N=116 %
1. Higher → [SKIP TO Q12]	78
2. Lower → [SKIP TO Q12]	8
3. About the Same → [SKIP TO Q12]	10
4. DON'T KNOW → [SKIP TO Q12]	5
5. REFUSED → [SKIP TO Q12]	-

11b. What are the reasons you did not offer this insurance plan three years ago? [READ ONLY IF NECESSARY]

Base: Did not offer this plan three years ago	N=96 %
1. Did not offer insurance 3 years ago; all plans are new	18
2. Switched to a plan with a higher deductible to help deal with rising costs	10
3. Switched to a plan with fewer benefits to help deal with rising costs	2
4. Switched to a similar plan with a different insurance provider	28
5. Insurance company no longer offers plan we provided 3 years ago	4
6. Some Other Reason [VOLUNTEERED] [Please Specify:_____]	26
7. DON'T KNOW	16
8. REFUSED	-

12. Currently, what percentage of your employees' insurance premium cost do you pay for individuals with single coverage? [READ IF NECESSARY: "Would you say you pay...]"<sup>22</sup>

Base: Provides health benefits	N=346 %
1. 100% of the premium cost	48
2. Between 76% and 99%	26
3. Between 51% and 75%	12
4. Between 26% and 50%	5
5. Between 1% and 25%	-
6. None of it	1
7. DON'T KNOW / NOT SURE	6
8. REFUSED	1

13. In your opinion, compared to three years ago, have you had to increase the percentage that your employees pay for health coverage because of rising premium costs?

Base: Provides health benefits	N=346 %
5. Yes	33
6. No	62
7. DON'T KNOW	5
8. REFUSED	1

14a. To the best of your knowledge, are the deductibles in your health plan higher, lower, or about the same as they were three years ago?

Base: Provides health benefits	N=346 %
6. Higher	46
7. Lower	5
8. About the Same	45
9. DON'T KNOW	4
10. REFUSED	-

<sup>22</sup> VT Draft Survey- 1d



14b. And how about employees' co-insurance or co-pays? Compared to three years ago, are these higher, lower, or about the same?

Base: Provides health benefits N=346	%
11. Higher	44
12. Lower	4
13. About the Same	46
14. DON'T KNOW	6
15. REFUSED	1

15. Next I'd like to ask you about the impact you think offering health insurance has had? [REPEAT THE FOLLOWING AS NECESSARY: "Do you think that offering health insurance has had a major POSITIVE impact, a minor POSITIVE impact, a minor NEGATIVE impact, a major NEGATIVE impact, or no impact at all on...]"<sup>23</sup>

Base: Provides health benefits N=346	Major Positive %	Minor Positive %	No Impact %	Minor Negative %	Major Negative %	Don't Know %	Refused %
A. Employee recruitment	56	24	16	1	1	2	1
B. Employee retention	49	26	21	1	<0.5	3	<0.5
C. Employee attitude and performance	29	30	35	1	<0.5	4	<0.5
D. Health of your employees	37	30	26	-	-	7	-
E. Absenteeism	18	21	54	1	-	6	-
F. The overall success of your business	33	34	25	2	1	5	-

[PROGRAMMERS: RECODE SCALE IN Q5 SO THAT CATEGORY 5 BECOMES MIDDLE OF SCALE AND HIGH NUMBERS INDICATE MORE POSITIVE IMPACT.]

16. In the next three years, assuming current trends continue, how likely is it that your company will make any of the following changes to your health plan?<sup>24</sup> The first/next is...[RANDOMIZE ORDER]

Base: Provides health benefits N=346	Extremely Likely %	Very Likely %	Somewhat More Likely %	Not Very Likely %	Not at all Likely %	Don't Know %	Refused %
Increase the amount that the employees will have to pay for premiums	9	20	36	11	19	4	<0.5
Increase the amount that the employees will have to pay for deductibles	6	19	40	14	16	5	<0.5
Increase the amount that employees have to pay for co-pays or co-insurance	8	17	41	12	16	6	-
Increase the amount that employees have to pay for prescription drugs	6	15	33	20	16	10	1
Restrict employee eligibility for coverage	2	5	10	30	49	3	1
Reduce the health benefits offered through your plan	4	10	20	25	35	5	<0.5
Drop coverage entirely	1	2	4	19	72	1	<0.5
Switch to a high-deductible plan	7	11	28	19	26	8	1

<sup>23</sup> 2002 Small Employer Health Insurance Survey, EBRI

<sup>24</sup> Based on Kaiser/HRET- Employer Health Benefits Survey- K2

17. How challenging do you think it will be for your company to provide health insurance to your employees over the next three years? Do you think it will be extremely challenging, very challenging, somewhat challenging, not very challenging, or do you not think it will be at all challenging?

Base: Provides health benefits	N=346
1. Extremely Challenging	11
2. Very Challenging	22
3. Somewhat Challenging	40
4. Not Very Challenging	16
5. Not Challenging At All	8
6. DON'T KNOW / NOT SURE	3
7. REFUSED	1

18. Now I'd like to read a few ways the cost of providing health insurance to employees could affect a business like yours. As I read each statement, please tell me whether the cost of providing health insurance in the past year has affected YOUR company in THIS way?<sup>25</sup> The first/next is....

Base: Provides health benefits N=346	Yes %	No %	Don't Know %	Refused %
Reduced or eliminated pay raises or bonuses	27	71	2	<0.5
Put off buying equipment or making other purchases	21	77	2	<0.5
Reduced other benefits offered to employees	28	71	1	-
Prevented hiring needed workers	10	88	2	-
Required some workers to be laid off	6	93	1	-
Reduced profits	58	37	4	1
Changed status of some workers from full-time to part-time	9	90	1	<0.5
Raised prices to customers	39	56	4	1

19a. If the cost of health insurance coverage, in general, were to increase by 5% would your company likely continue offering its current coverage, reduce benefits covered, switch to a higher deductible policy, increase employee cost sharing, or would your company likely stop providing health insurance coverage?

Base: Provides health benefits N=346	%
1. Continue Current Coverage	56
2. Reduce Benefits Covered	5
3. Switch to Higher Deductible Policy	13
4. Increase Employee Cost Sharing	15
5. Stop Providing Health Insurance → [SKIP TO DEMOGRAPHICS]	1
6. DON'T KNOW / NOT SURE → [SKIP TO DEMOGRAPHICS]	8
7. REFUSED → [SKIP TO DEMOGRAPHICS]	2

<sup>25</sup> 2002 Small Employer Health Insurance Survey, EBRI, 39

19b. And what if the cost of health insurance coverage increased by 10%? [READ IF NECESSARY: “Would your company likely continue offering its current coverage, reduce benefits covered, switch to a higher deductible policy, increase employee cost sharing, or would your company likely stop providing health insurance coverage?”]

Base: Provides health benefits	N=346 %
1. Continue Current Coverage	26
2. Reduce Benefits Covered	11
3. Switch to Higher Deductible Policy	19
4. Increase Employee Cost Sharing	19
5. Stop Providing Health Insurance → [SKIP TO DEMOGRAPHICS]	14
6. DON'T KNOW / NOT SURE → [SKIP TO DEMOGRAPHICS]	10
7. REFUSED → [SKIP TO DEMOGRAPHICS]	<0.5

19c. And what if the cost of health insurance coverage increased by 15%? [READ IF NECESSARY: “Would your company likely continue offering its current coverage, reduce benefits covered, switch to a higher deductible policy, increase employee cost sharing, or would your company likely stop providing health insurance coverage?”]

Base: Provides health benefits	N=346 %
1. Continue Current Coverage	12
2. Reduce Benefits Covered	11
3. Switch to Higher Deductible Policy	19
4. Increase Employee Cost Sharing	24
5. Stop Providing Health Insurance → [SKIP TO DEMOGRAPHICS]	27
6. DON'T KNOW / NOT SURE → [SKIP TO DEMOGRAPHICS]	6
7. REFUSED → [SKIP TO DEMOGRAPHICS]	1

19d. And what if the cost of health insurance coverage increased by 25%? [READ IF NECESSARY: “Would your company likely continue offering its current coverage, reduce benefits covered, switch to a higher deductible policy, increase employee cost sharing, or would your company likely stop providing health insurance coverage?”]

Base: Provides health benefits	N=346 %
1. Continue Current Coverage	5
2. Reduce Benefits Covered	10
3. Switch to Higher Deductible Policy	14
4. Increase Employee Cost Sharing	23
5. Stop Providing Health Insurance → [SKIP TO DEMOGRAPHICS]	40
6. DON'T KNOW / NOT SURE → [SKIP TO DEMOGRAPHICS]	6
7. REFUSED → [SKIP TO DEMOGRAPHICS]	1

**DEMOGRAPHICS**

20. Which of the following best describes the business type or industry in which your company is involved?

Base: Total Respondents N=407	%
1. Retail	8
2. Service	15
3. Computer technology or internet-based business	2
4. Manufacturer	12
5. Wholesale	3
6. Health care	8
7. Real estate	3
8. Construction	11
9. Agriculture	4
10. Creative or technical services	<0.5
11. Financial, legal, consulting or other professional services	3
12. Some other industry or business type [PLEASE SPECIFY: _____]	31
13. DON'T KNOW / NOT SURE	-
14. REFUSED	-

21. For how many years has your company been in business? [READ ONLY IF NECESSARY]

Base: Total Respondents N=407	%
1. Less than one year	<0.5
2. At least one year, but less than three years	2
3. At least three years, but less than five years	2
4. At least five years, but less than seven years	3
5. At least seven years, but, less than ten years	5
6. At least ten years, but less than fifteen years	9
7. Fifteen years or more.	79
8. DON'T KNOW / NOT SURE	<0.5
9. REFUSED	<0.5

22. In what zip code is your company's main Washington office located? \_\_\_\_\_

23. Finally, into which of the following categories did your company's total gross revenue for the last completed fiscal year fall?

Base: Total Respondents N=407	%
1. Less than \$100,000	3
2. \$100,000 to less than \$250,000	4
3. \$250,000 to less than \$500,000	4
4. \$500,000 to less than \$1 million	9
5. \$1 million to less than \$2 million	14
6. \$2 million to less than \$3 million	6
7. \$3 million to less than \$5 million	9
8. \$5 million to less than \$10 million	9
9. \$10 million or more	16
10. DON'T KNOW / NOT SURE	16
11. REFUSED	10



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Washington, DC 20049**

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**For more information please contact Jennifer H. Sauer at:  
202.434.6207 or email [jsauer@aarp.org](mailto:jsauer@aarp.org)**