REPORT TO THE
MINNESOTA DEPARTMENT OF HEALTH

RESULTS FROM FOCUS GROUPS
RELATED TO POTENTIAL HEALTH INSURANCE POLICY INITIATIVES

FINAL REPORT

DECEMBER 7, 2007

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I. EXECUTIVE SUMMARY

Burns & Associates, Inc. (B&A) was hired by the Minnesota Department of Health (MDH) to conduct focus groups with small business owners who currently offer health insurance to their employees, small business owners who currently do not offer health insurance, and insurance agents about their thoughts about the ability of small businesses to purchase and maintain health insurance in Minnesota. Additionally, the focus groups were designed to explain potential policy options and to obtain perspectives from citizens related to a health insurance exchange model and an individual mandate that are currently being contemplated by both a Governor's task force and a Legislative task force.

B&A worked in collaboration with the MDH, the Minnesota Chamber of Commerce, and local Chamber directors to select the locations and to solicit participants for the sessions. The State Chamber suggested three locations based on local Chamber office interest in the health insurance debate. The schedule, therefore, was set as follows:

- November 12- Willmar
- November 13- Bloomington
- November 14- Eagan

In each city, three sessions were scheduled. Employers who currently offer health insurance met at 7:30 am each day. Insurance agents met at 12 noon each day. Employers who currently do not offer health insurance met at 5:30 pm each day. Each session was scheduled for two hours. All but one session was held at the local Chamber office.

The local Chamber liaisons were instrumental in assisting B&A recruit participants for each session. Two weeks prior to the sessions, the President of the local Chamber sent out an informational email describing the focus groups and soliciting interest. The outreach was specifically designed to reach small business owners (2-50 employees). Those interested could RSVP to the local Chamber or to an email set up by B&A for this project. As a thank you to participants for participating, a meal was served during the session and each participant was given $100.

The MDH requested that B&A obtain six to 10 participants for each session. B&A allowed more than 10 to register for each session in case there were last-minute cancellations. Not enough small business owners who do not offer health insurance could be secured in Willmar so this evening session was cancelled.

There were 72 participants across the eight sessions, 52 males and 20 females. Although there was participation across all age groups, it was weighted heavily to those ages 41-60. Among the three groups targeted, there was participation from 34 small business owners who currently offer health insurance, 10 small business owners that currently do not offer health insurance, and 28 insurance brokers. The majority of small business owners offering health insurance have less than 20 employees. All but two of the small business owners not offering insurance have less than five employees.

Structure of the Focus Group Sessions

B&A staff introduced each session by stating that the focus groups were initiated so that the MDH could obtain feedback from the community about specific policies that are being contemplated by both the Executive and Legislative branch. Participants were encouraged to be open and honest about their opinions.

Other than introductions one-by-one at the beginning of the session, B&A staff encouraged a free-form dialogue during the session. Attendees voluntarily provided their opinions and feedback to the concepts discussed. B&A ensured that all attendees participated at a minimum level and that no single individual dominated the discussion.

B&A staff ensured that the same open-ended questions were asked at each session. Appendix A contains the questions asked at each focus group. Additionally, materials were distributed to describe the policies currently being contemplated for which the attendee's opinions were solicited. These handouts appear in Appendix B. Included with these handouts were a series of questions for which B&A staff took a straw pool at the end of each session. The results of these votes are discussed in Sections III and IV of the report.

Feedback from Small Employers

The B&A focus group moderators found that the small employers in Minnesota who offer health insurance are very savvy about the marketplace, the vehicles under which they can purchase insurance, and the benefits of implementing Section 125 plans. They have an ongoing relationship with their insurance agent and have used their agent for educational forums in addition to the annual review of anticipated premium changes. Many employers cited the fact that they offer both a traditional insurance product as well as a health savings account (HSA) or health reimbursement arrangement (HRA). However, most employers who have introduced HSAs or HRAs have found that most employees have gravitated to this health coverage arrangement in lieu of traditional coverage.

Almost all of the small business owners who offer health insurance have also implemented a Section 125 plan, unless they have converted to an HSA then the HSA may have replaced the Section 125 plan.

On the other hand, small business owners that do not offer health insurance are, by and large, not well informed about health insurance offerings in the marketplace. Some were not aware that insurance agents will do the "heavy lifting" when it comes to shopping for insurance. Only a few were aware of Section 125 plans. Even after the benefits to both employer and employee of a Section 125 plan were described, some small business owners were concerned about the administrative burden of implementing a Section 125 plan. B&A found that small employers who did not offer insurance often switched positions over the course of the session as they learned more about purchasing health insurance from others or from the materials presented. This indicated to us that education would be of utmost importance if the State were to enact any health reform initiatives.

Highlights from the Topics Covered in the Focus Groups

In general, small business owners who currently offer health insurance did not see the need for the State to develop a health insurance exchange because they liked the flexibility of having a multitude of options available to them and they thought that the Exchange would become bureaucratic. Small business owners who do not currently offer health insurance were more open to the idea of a health insurance exchange, in particular if it provided administrative simplification. However, cost of premiums was still their prevailing concern and many were skeptical that the Exchange would offer affordable products for them to purchase.

The focus group moderators described how one current proposal would be to have the Exchange model in Minnesota layered on top of an individual mandate. There was no clear consensus on the idea of a mandate. The debate usually was between "We're paying for the uninsured with tax dollars anyway, so why not have a mandate" and "I don't like the government telling me what to do about my personal health." There was also not consensus between small employers that offer health insurance and those that do not. For example, none of the small business owners who do not offer insurance in Bloomington thought there should be a mandate, but all of the business owners who do not offer insurance in Eagan did. In Willmar, among the small business owners who do offer insurance, six thought there should be a mandate, two did not, and three declined to vote.

Focus group participants did not see a correlation between the individual mandate and their decision to offer health insurance as a small business owner. That is, those that offer health insurance today thought that they would continue to offer it even if an individual mandate was imposed while those that do not offer health insurance today did not indicate that they would be more or less likely to offer it if a mandate was imposed.

The concept of requiring businesses to offer Section 125 plans was almost universally rejected. Out of the 44 small business participants, 41 thought there should be no mandate at all. Three indicated that it should be required for businesses with 10 employees or more. [It should be noted that these were all business owners with less than 10 employees.] Almost all of the employers who currently offer health insurance already have a Section 125 plan in place or have created HSAs which have replaced their Section 125 plans. Even though they have taken this step and a mandate would not add any new burden for them, they still did not believe the government should be mandating what they should and should not do. Employers in the Twin Cities area in particular stated that the setup of a Section 125 can be easily handled by an insurance agent, benefits administrator, or a payroll service and the Exchange would not be needed to serve this function.

The small business owners that do not offer health insurance thought of the Section 125 mandate as an administrative burden that they did not want, despite the tax savings for their business. Although it was described to these owners that a Section 125 could be set up to allow for health insurance premium deductions only (to keep administrative burden to a minimum), they were hesitant to agree to a mandate.

More details on the topics discussed in the focus group sessions are provided in Section III of the report. Some other highlights include the following:

- Employers that offer health insurance do so for a variety of reasons, but key among them were to keep a competitive edge to attract and retain employees and personal conviction that it is their responsibility as an employer to offer it.

- Employers that do not offer health insurance cited the cost as the predominant reason as well as administrative burden.

- None of the employers that offer health insurance expected to drop it as a benefit any time soon, but many have curtailed what they buy, such as moving to high deductible health plans (HDHPs) or reducing their contribution towards family or even employee-only coverage. None of the participants said that they pay less than 50% of the employee-only premium, however.

- Overall, employers that offer health insurance have been satisfied with HSA accounts they have set up. Many still have both traditional coverage and HSAs an option, but most employees have moved to the HSA model. Employers funded most or all of the deductible under the new plan in the first year of implementation with the premium savings they gained by moving to a HDHP.

- Employers that still offer traditional insurance policies are frustrated by the annual medical underwriting forms that they require employees complete to "shop" insurance products, the perceived disconnect between their own plan's experience rating and rate increases, and the feeling of "one strike you're out" where if the plan has one bad claims year they end up paying for it over the next three years.

- Small business owners by and large are satisfied with the service they receive from insurance agents. They gave the sense that the agents are "on their side". Many were thankful for the educational sessions that agents gave their employees when the company converted to HSAs.

- Although most employers thought that an Exchange model may be worth exploring, almost all expressed the opinion that this would not solve the root of the health insurance problem. Many suggested that the State do more to encourage transparency of costs, highlight and incentivize preventive measures, provide disincentives for bad behavior (e.g. smoking, obesity, improper hospital ER use), promote efficiencies such as health information technology, reduce waste and overutilization, and control carriers' administrative costs (e.g. CEO salaries or reserve funds).

- The concept of an individual health insurance mandate was almost universally rejected. Participants stated that they thought that one's personal health and the decisions about how to treat it should not be directed by the government. There

was recognition that, as taxpayers, citizens were covering the costs of health usage by the uninsured. But the concept of individual decision-making outweighed the concern over the burden of costs for the uninsured on the overall health delivery system.

- As business owners, employers were very concerned that an individual mandate on health insurance would get them involved through reporting requirements or garnishment of wages for the penalty for those individuals who did not obtain health insurance.

Feedback from Insurance Agents

The insurance agents attending the focus groups were very up-to-speed on the offerings to small businesses and individuals in Minnesota. They reported a rapid migration to HSA accounts and high deductible health plans in the small business group market in the last few years. Participants cited that they have become more engaged with their clients as new offerings have come into the market and they stated that they have taken on the responsibility of educating business owners as well as employees of these options.

Insurance agents report that they achieve an almost 100% close rate on inquiries that they receive related to health insurance. They stated that although individuals or employers are often shocked by premium rates across various offerings, "there is a product out there for everyone who wants to buy insurance." They see little rate difference in urban and rural parts of the state.

Commissions to insurance agents have been standardized in Minnesota among the four major carriers for about the last six years. The agents report that they receive the same flat rate from all carriers with the exception of a few products from one carrier but they sell very few of these products. They report that they receive $50 per MCHA applicant which is minimal compared to the amount of work involved with these applicants.

Highlights from the Topics Covered in the Focus Groups

Among the 28 insurance agents participating in the focus groups, only two thought that the State should pursue a health insurance exchange and none stated that they would support it if it was implemented. The moderators discussed the proposal for the Exchange to pay agents the commission that is currently paid to them by the carriers to try to assure them that they could be "held harmless" under the Exchange model. But reimbursement to them was not the prevailing reason for their disapproval of the Exchange model. Their primary issue was the government getting involved in an area where the private market can take care of itself.

All of the agents stated that Section 125 plans are "no brainers" for small business owners who offer only a traditional insurance policy and they strongly encourage these. But they stated that as small businesses move to HSAs, the Section 125 plans become moot because of the "use-it-or-lose-it" policy with Section 125 plans that is not present in HSAs. Agents

see no need for an Exchange model to get involved with Section 125 plans. All but one of the 28 agents thought there should be no mandate on employers to offer Section 125 plans.

More details on the major themes are provided in Section IV of the report. Other themes that resonated in the sessions include the following:

- Most agents believe that HSAs are the "wave of the future" and that HSAs will achieve a 75% penetration rate with small businesses in the next 10 years. They believe it is too early to measure how HSAs will work in the market long-term and that is why an Exchange model is unnecessary or, at best, premature.

- Insurance agents sympathize with employers who are finding they continually have to "game" the system to achieve a lower experience rating every three or four years. Many cited a disconnect between table ratings and medical loss ratios. However, most found that employers that move to HDHPs become satisfied at the outset or within the first year of implementation and some employers have even seen their premiums remain flat or decrease.

- The agents thought that the State proposal for an Exchange and an individual mandate was moving in the wrong direction if the intent is to reduce the number of uninsured. They report that there is an auto insurance mandate yet 15% of motorists in Minnesota lack auto insurance. With a health uninsured rate of less than 10%, the agents believed that there were better strategies to lower this than a mandate.

- Most participants thought that both MinnesotaCare and MCHA were good products for their target populations. They informed the moderators that the insurance agents' association has taken the official position that it would be ready for its members to sell MinnesotaCare to the public if the commission was fair. Agents stated that they run into MinnesotaCare-eligible individuals all the time when they are setting up small group policies. They think that if the State did a premium share offering on MinnesotaCare, the uninsured rate would drop.

- Agents universally believed that the State should remove the requirement that carriers cover children up to age 25 on a family policy if the child is no longer in school.

- Most agents are concerned that, instead of making the purchase of health insurance administratively less burdensome, an Exchange would add another layer of bureaucracy. The agents are skeptical of the educational process that Exchange staff could provide and it would be up to them to provide even further education to their customers beyond what they do today.

II. FOCUS GROUP METHODOLOGY

This section discusses the process for selecting focus group locations, the outreach conducted to solicit participants, the structure of the sessions, and an overview of the types of participants at each session.

Number and Location of Sessions

Burns & Associates (B&A) staff worked in collaboration with the Minnesota Department of Health (MDH), the Minnesota Chamber of Commerce, and local Chamber directors to select the locations and to solicit participants for the sessions. The State Chamber suggested three locations based on local Chamber office interest in the health insurance debate. The schedule, therefore, was set as follows:

- November 12- Willmar
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In each city, three sessions were scheduled. Employers who currently offer health insurance met at 7:30 am each day. Insurance agents met at 12 noon each day. Employers who currently do not offer health insurance met at 5:30 pm each day. Each session was scheduled for two hours. All but one session was held at the local Chamber office.

Recruitment Process

The local Chamber liaisons were instrumental in assisting B&A recruit participants for each session. Two weeks prior to the sessions, the President of the local Chamber sent out an informational email describing the focus groups and soliciting interest. The outreach was specifically designed to reach small business owners (2-50 employees). Those interested could RSVP to the local Chamber or to an email set up by B&A for this project. As a thank you to participants for participating, a meal was served during the session and each participant was given $100.

The MDH requested that B&A obtain six to 10 participants for each session. B&A allowed more than 10 to register for each session in case there were last-minute cancellations.

In order to boost participation in Willmar, B&A sent out a second request to all small businesses registered with the Chamber and also made outreach calls to businesses and to all the insurance agents in Willmar. Unfortunately, not enough small business owners who do not offer health insurance could be secured so this evening session was cancelled.

There were 72 participants across the eight sessions, 52 males and 20 females. Although there was participation across all age groups, it was weighted heavily to those ages 41-60. Exhibit II.1 on the next page provides the demographic information by session.

Exhibit II.1
Demographics of Focus Group Participants

Session Type	Total Attendees	Male	Female	Age 19-30	Age 31-40	Age 41-50	Age 51-60	Age 60+
Willmar								
Small Employers Currently Offering	11	8	3	0	0	3	5	3
Insurance Agents	8	7	1	1	0	2	4	1
Bloomington								
Small Employers Currently Offering	13	10	3	3	7	1	2	0
Insurance Agents	12	6	6	0	1	5	5	1
Small Employers Currently Not Offering	7	5	2	0	1	1	3	2
Eagan								
Small Employers Currently Offering	10	6	4	1	1	5	2	1
Insurance Agents	8	7	1	1	1	2	4	0
Small Employers Currently Not Offering	3	3	0	1	0	0	2	0
TOTAL	**72**	**52**	**20**	**7**	**11**	**19**	**27**	**8**

Structure of the Focus Group Sessions

B&A staff introduced each session by stating that the focus groups were initiated so that the MDH could obtain feedback from the community about specific policies that are being contemplated by both the Executive and Legislative branch. Participants were encouraged to be open and honest about their opinions.

Other than introductions one-by-one at the beginning of the session, B&A staff encouraged a free-form dialogue during the session. Attendees voluntarily provided their opinions and feedback to the concepts discussed. B&A ensured that all attendees participated at a minimum level and that no single individual dominated the discussion.

B&A staff ensured that the same open-ended questions were asked at each session. Appendix A contains the questions asked at each focus group. Additionally, materials were distributed to describe the policies currently being contemplated for which the

attendee's opinions were solicited. These handouts appear in Appendix B. Included with these handouts were a series of questions for which B&A staff took a straw pool at the end of each session. The results of these votes are discussed in Sections III and IV of the report.

Information About Focus Group Participants

Small Business Owners Offering Health Insurance

There were 34 participants from small business owners that offer health insurance.[1] The number of years in business varied from three to 40 years. There was a wide variety of industries represented, including non-profit organizations, at each location. The types of industries represented appear in Exhibit II.2.

Exhibit II.2
Industries Represented Among Small Businesses Offering Health Insurance

Willmar	**Bloomington**	**Eagan**
Retail flower shop	Restorative dentistry	Insurance
Financial services	Consulting	Towing
Private school	Non-profit social services	Travel agent
Non-profit organization	Non-profit energy conservation	Printing and copying
Computer services	Senior housing and health care	IT/computer technology
Wholesale auto sales	Home improvement	Telecommunications equipment
Dentistry	Financial consulting	Technology training
Retail auto sales	IT and software development	Non-profit social services
Optometric clinic	Public affairs	Non-profit local agency
Health care clinic	Evaluation and research	
	Computer consulting	
	Photography	
	Catering/special events	

The number of full time and part time employees from the participant's business was fairly evenly distributed.

Exhibit II.3
Firm Size Among Small Businesses Offering Health Insurance

Number of Full Time Employees	
1-4	9
5-9	9
10-20	5
21-30	4
31-40	3
41-50	2
Over 50	1

Number of Part Time Employees	
None	12
Less than 5	14
More than 5	7

[1] Although there were 10 participants in Eagan, two individuals were from the same organization.

All participants stated that health insurance is available to all full time employees at their firm. The contribution level, however, varied.

Exhibit II.4
Employer's Contribution to Health Insurance Premiums

Type of Contribution	
Set dollar amount contribution to each employee	9
Full coverage for employee-only policy (may or may not contribute to spouse/family coverage)	10
Pay a portion of the employee-only premium	14

Small Business Owners Not Offering Health Insurance

There were 10 participants from small business owners that do not offer health insurance. Many of these were relatively new businesses (less than two years old) and the concern about the future viability of the firm was often cited as the reason why health insurance was not offered. Two of the firms had previously offered health insurance to full time employees but have since dropped coverage. The industries represented are shown in Exhibit II.5.

Exhibit II.5
Industries Represented Among Small Businesses Not Offering Health Insurance

Bloomington	**Eagan**
Residential construction	Chiropractic
Chiropractic	Home security design/inspection
Health care	Non-profit fundraising
Massage therapy	
Catering	
Printing	
Promotional products	

The owners who did not offer insurance tended to be smaller in size than those that did offer insurance.

Exhibit II.6
Firm Size Among Small Businesses Not Offering Health Insurance

Number of Full Time Employees	
1-4	8
5-9	1
10-20	1

Number of Part Time Employees	
None	5
Less than 5	4
More than 5	1

Insurance Agents

There were 28 insurance agents that participated in the focus group sessions.[2] Only a handful of the agents had less than 10 years of experience in the field. The firms they worked for were evenly distributed between owners of their own independent agency (11), agents for a small, independent agency (7), and agents for a national agency (7). Two indicated that they worked for benefits administration firms.

Almost all of the agents sold to small businesses, and all but one indicated that they sell health insurance directly to customers. The agents in Bloomington and Eagan tended to focus exclusively or predominantly on employee benefits including health insurance, while the agents in Willmar sold a variety of insurance products and most were principally property and causality agents. Exhibit II.7 shows the agents' customer base and products they sell.

Exhibit II.7
Customer Base and Products Sold by Insurance Agents
(agents could select more than one)

Customer Base	
Individuals	16
Small businesses	24
Large businesses	11

Products Sold	
Health Insurance	26
Life and AD&D	24
Workers comp	8
Auto	8
Property & Casualty	8
Other (benefits administration cited)	9

Agents were also asked to estimate the percent of their business related to selling health insurance products. Those that estimated a lower percentage of their business from this product tended to be located in Willmar.

Exhibit II.8
Percent of Insurance Agent's Business from Health Insurance Products

Estimated Percent of Total Business	
Less than 10%	2
10% to 25%	6
26% to 50%	3
51% to 75%	4
76% to 90%	0
Almost entirely health insurance	12

A one-page summary of specific information about each focus group session appears in Appendix C.

[2] One demographic survey was not received, so totals will reflect 27 respondents.

III. FEEDBACK FROM SMALL EMPLOYERS

This section provides feedback from the five focus groups that consisted of small business owners. Differences in responses between small employers who currently offer health insurance versus those that do not offer health insurance are cited. The feedback provided has been categorized into major themes discussed below:

- Reasons for offering insurance and the pressures of sustaining the benefit
- Reasons for not offering health insurance
- Perceptions on the process of purchasing health insurance
- Ideas about when or how it would be appropriate for the state or federal government to get involved in the process of purchasing health insurance
- Feedback on potential features of a health insurance exchange model
- Feedback on the concept of an individual health insurance mandate
- Thoughts about the benefit of Section 125 plans and a State mandate for employers to implement Section 125 plans

The Burns & Associates (B&A) focus group moderators found that the small employers in Minnesota who offer health insurance are very savvy about the marketplace, the vehicles under which they can purchase insurance, and the benefits of implementing Section 125 plans. They have an ongoing relationship with their insurance agent and have used their agent for educational forums in addition to the annual review of anticipated premium changes. Many employers cited the fact that they offer both a traditional insurance product as well as a health savings account (HSA) or health reimbursement arrangement (HRA). However, most employers who have introduced HSAs or HRAs have found that most employees have gravitated to this health coverage arrangement in lieu of traditional coverage.

Almost all of the small business owners who offer health insurance have also implemented a Section 125 plan, unless they have converted to an HSA then the HSA may have replaced the Section 125 plan.

On the other hand, small business owners that do not offer health insurance are, by and large, not well informed about health insurance offerings in the marketplace. Some were not aware that insurance agents will do the "heavy lifting" when it comes to shopping for insurance. Only a few were aware of Section 125 plans. Even after the benefits to both employer and employee of a Section 125 plan were described, some small business owners were concerned about the administrative burden of implementing a Section 125 plan. B&A found that small employers who did not offer insurance often switched positions over the course of the session as they learned more about purchasing health insurance from others or from the materials presented. This indicated to us that education would be of utmost importance if the State were to enact any health reform initiatives.

In general, small business owners who currently offer health insurance did not see the need for the State to develop a health insurance exchange because they liked the flexibility of

having a multitude of options available to them and they thought that the Exchange would become bureaucratic. Small business owners who do not currently offer health insurance were more open to the idea of a health insurance exchange, in particular if it provided administrative simplification. However, cost of premiums was still their prevailing concern and many were skeptical that the Exchange would offer affordable products for them to purchase without specific steps to address the cost of health care including the elimination of waste in the system.

More details on the major themes are provided in the remainder of this section. Items in italics are either direct quotes or paraphrases of comments from focus group participants.

Reasons for offering health insurance and the pressures of sustaining the benefit

Small business owners who do offer health insurance cited a number of reasons why they offer health insurance, but they also stated that the pressure has increased considerably on what they are able to offer.

Required to stay competitive

Many employers stated that the reality is that if they do not offer a health insurance benefit and make some contribution, they will not be able to attract or retain employees.

> *With 2% unemployment in Willmar and the surrounding counties, the health insurance benefit becomes an important recruiting tool.*
>
> *Without offering health insurance, you will have more turnover.*
>
> *We are a non-profit. Since we don't pay as well, we need to have better benefits.*
>
> *You can't be competitive without it.*
>
> *If you have a full-time chef, you have to have health insurance* (catering company).
>
> *We need to offer it in order to compete with the universities and the government agencies.*
>
> *Even though many of my employees have coverage through their spouses, you still need to make it available in case they need it.*

Personal conviction

Many small employers mentioned the family-like atmosphere at their firms. As the owners of the firms, they recognize that they are not obligated to offer health insurance but feel a personal responsibility to do so.

It's one of my core beliefs that it is the right thing to do. I even make it available to my independent contractors, although a lot of them don't take me up on it.

We have offered health insurance from the start but have had to pare the benefit over the years.

We are a relatively new business that started from the bootstraps and built it up. I am concerned about the younger employees who don't think they need it (insurance).

I believe it is a moral and ethical obligation to offer health insurance.

Feeling of helplessness

Some focus group participants stated they felt like premium changes are out of their control but they find ways to continue offering insurance.

I find it (offering and paying health insurance premiums) *is our only alternative given our size. We may not like the decision we make but we go along with it.*

If I got an 11% increase I think I would have died and gone to heaven (one employer responding to another employer's rate increase).

We had a bad claim year and my premiums increased 24% for three years in a row.

Changes to adjust to the market

None of the small business owners who offer health insurance stated that dropping health insurance as a benefit entirely was an option, but many discussed the adjustments they have made due to the large and unpredictable premium increases they have faced. One method commonly mentioned was to convert from a traditional insurance product to an HSA with a high deductible health plan (HDHP) and the employer used the savings from changing to a less expensive product to pay the deductible cost for the employee. Those that did this often paid the full deductible in the first year in order to gain participation, but let their employees know that if premiums increased substantially they would not be able to continue to cover the full deductible. Most, but not all, are very satisfied with their HSA plans. They like the idea that their employees now take more responsibility for their own health care costs.

For those offering traditional insurance, HSAs, or both, small employers cited that they pay at least 50% of the employee's premium.

Other methods cited included various pooling methods or converting to a leased employee setup where the employees now purchase insurance from a larger pool with lower premiums. Employers that participated in available pools experienced initial success

followed by high increases in premiums as healthier groups left the pool for lower premiums.

Some employers also cited the fact that as the cost of family coverage has increased so much and employees often bear the cost of the family portion of the premium, many of their employees are taking their children off the small business's plan and enrolling their children in MinnesotaCare if they are eligible or purchasing individual policies for their children.

> *We went to Appletree* (specific insurance pool). *They kept premium increases lower (we would have seen a 40% annual increase without it). But these groups lost the healthy folks so it is no longer cost effective.*
>
> *We have converted from paying the full amount of employee's premiums to a capped dollar amount whether they have single or family coverage.*
>
> *We moved to a high deductible plan and matched 75% of the employee's deductible in Year 1. We'll keep it at this rate for one more year, but we meet with the employees annually and tell them there are no promises year to year.*
>
> *We had a 24% increase in our traditional plan, so we went to HSAs and front-loaded the deductible.*
>
> *Our premiums went up 40% last year because we were upside down $100,000 in claims experience, so we had to dumb the plan down.*
>
> *We have a pool through Medica* (traditional product). *We paid in a lot but our claims were very low. Yet we didn't know why our premiums went up so much. We were told it was because we were included in a group/pool that had high claims.*
>
> *We had high claims experience in our HSA but our premium increase was very low because HSAs as a whole were good for insurers.*
>
> *We were finding that we were spending so much time shopping health insurance that we now have leased employees. We work with Administaff.*
>
> *In the second year of HSAs we actually got a rate decrease. We got out of the traditional option entirely.*
>
> *We went from a traditional to a high deductible plan and funded a portion of the deductible. This impacted our recruitment process, since people don't consider us if they need family coverage.*
>
> *There are only four of us but we offer the HSA and the traditional option. The three guys selected the HSA and the one female opted for the traditional plan.*

Reasons for not offering health insurance

Small business owners who do not offer health insurance cited cost as the main reason for not offering, but also mentioned the administrative burden. Some mentioned that since they are so small, it has not been an issue that they do not offer insurance since their employees often obtain it from another source (e.g. spouse's plan). One, however, cited that as they are starting to grow, not offering health insurance has inhibited their recruiting efforts.

> *Cost is by far the number one reason.*
>
> *We surveyed the staff, and they said they would rather get a stipend than to use that money to buy health insurance.*
>
> *We are a residential construction company and we used to offer it and pay for the employee-only coverage for our six employees. But with the downturn in the housing market, we had to drop it.*
>
> *I used to own the catering company that I now consult with. I used to pay 40% of the insurance premiums. Now they don't offer insurance at all. I have noticed that it is harder for them to retain quality employees.*
>
> *I think it is complex trying to understand the multiplicity of plans available.*
>
> *It almost takes another person on staff to administer the health insurance benefit.*
>
> *We are health care providers ourselves. We deal with it* (administrative paperwork) *all the time. I can only imagine how complex it is for those not in the industry.*
>
> *Everyone's covered under another policy. But now that we are three years old we are considering it* (offering health insurance).

Perceptions on the process of purchasing health insurance

Small business owners offering health insurance expressed their frustrations with how they have to "work the system" to keep premiums low. This often results in administrative burden that both they and their employees resent.

<u>Medical Underwriting</u>

For those offering traditional insurance plans, this means having their employees complete medical underwriting forms for each of the four main carriers in the state every time they want to price out the rates for each carrier.

It is a problem that we have to reapply every year and fill out new forms. It is also a problem for those participating in our flex plan (changing carriers).

Why can't all of the carriers have the same form? It seems like we are just entering the same information on each (medical underwriting) *form. The forms are indistinguishable.*

We get a lot of pushback from the employees when we consider changing plans.

They should at least make the forms updateable each year to make it easier on the employees since it seems we end up filling them out every year.

Experience Rating

Another source of frustration is the perception that even in years where their claims experience is low, employers still face high premium increases.

It seems to me that no matter what our experience rating is, we are always in Table 12 (higher experience rating ranking).

If you had a bad claims year, you might as well go to another provider if you can.

One year of bad claims experience and you end up paying for it in the next three years.

It seems to me that everyone should pay a little extra to spread the risk more.

I've been told to switch companies every three years so that my experience rating goes down, at least temporarily.

You know you'll get a good deal the first year, but they'll nick you the other years.

Transparency of Costs

For those that have yet to convert to an HSA model, employers feel like their employees don't comprehend the level of cost that they (the employers) are absorbing to provide health insurance as a benefit.

People don't realize the costs of health insurance. Our premiums have gone up 350% in the last seven years.

I panic every year before I get that letter (premium increase).

I like HSAs because it has put responsibility back to the employee.

Migration to HSAs

For the most part, small business owners and their employees have responded positively when they moved to HSAs from a traditional insurance policy.

> *HSAs are a fearful time period in the beginning. We had to kick in a couple thousand dollars in the first year to alleviate that fear.*
>
> *Now the young males see the benefit of the HSA. They see it as their money. They like the fact that they can roll it over.*
>
> *Participation actually went up when I went to HSAs. There is a big incentive if there is no use it or lose it. Our premiums went down this year, even though we had 138% claims experience because the larger pool saw a 9% premium decrease.*
>
> *As a philosophy, we wanted to participate in the risk. But HSAs were too much risk for the individual.*
>
> *I'm concerned with new immigrant employees and their ability to understand what it means to go to an HSA. It makes me nervous to switch. Our ability to explain even basic stuff can be challenging.*
>
> *When we were looking at HSAs, we found that not even all of the carriers were up to speed on them.*

Use of Insurance Agents

All of the employers offering health insurance stated that they utilized the services of an agent. The comments from the majority of those offering insurance indicated that they were satisfied with the services they received from the broker. Positive reactions were strongest from those that used agents that focused exclusively on health insurance and employee benefits administration.

> *I found that you have to press* (the agent) *for a certain level of service. If we don't ask for it, we don't get it.*
>
> *My agent is excellent. He is proactive throughout the year and has been a resource for me whenever I have questions, including HR. I can't imagine not having an agent.*
>
> *You sometimes wonder what they* (the agents) *do for you.*
>
> *There is no way we would have figured out how to set up the HSA without our broker.*
>
> *I trust my agent to provide me with the best alternatives.*

I have been quite dissatisfied with my agent since we started the HSA. Also the Blue Cross staff is not very knowledgeable.

I had 150 renewal options to review this year.

Ideas about when or how it would be appropriate for the state or federal government to get involved in the process of purchasing health insurance

Before introducing the concept of the health insurance exchange or an individual mandate, the focus group moderators asked the participants for specific ideas of when or how it would be appropriate for the State of Minnesota or the federal government to assist them in purchasing health insurance. Although some ideas were offered, what resonated strongest with the participants is what we as a country could do to reduce the overall costs of health care. There was a strong sense that any efforts to reduce health insurance costs may only temporarily alleviate a bigger problem. Still others thought that government intervention could only make a bad situation worse.

Health care is a commodity, just like gas or food. No one is going to pay it for us. You need to change the overall structure before thinking about reducing premiums.

We should have tort reform to alleviate medical malpractice.

There should be more cost shifting back to state programs including state employees.

We need education to reduce costs by providing other alternatives for care.

The costs in the last six years of life are what cost us the most. There should be more alternatives like hospice care instead of hospitalization.

There is too much overutilization. The same tests are run by different doctors and this must add cost to the system.

There needs to be more coordination. If families could be covered elsewhere (like MinnesotaCare), it is hard to coordinate with their existing coverage. There may be an opportunity for savings.

There needs to be better coordination of benefits for those that have insurance from multiple sources.

Maybe if there was more competition among carriers in the state, premiums would go down.

Health information technology should be improved to increase efficiency and save costs.

I think the government needs to come in and regulate where their (the carriers') *fees come from. For example, if they regulate CEO salaries and put that money into health care.*

Any time the government gets involved, the money you put in, you don't always get it back.

There is absolutely nothing that government can do to help in this area.

Small business owners also felt slighted for perceived inequities in the system.

What irritates me is the inequity of government. We pay a 2% MCHA tax as small businesses but large companies don't have to pay if they are self-insured.

Minnesota now allows dependents up to age 25 even if the person is not in college. If they are not, then they are not a dependent of their parents and a pre-tax contribution cannot be made. How are we supposed to figure out how much of the family premium is pre-tax and how much is not? The government exempted state employees from this requirement because it cost too much.

State employees are too immune to the cost of their health care decisions because they don't have to pay anywhere near the co-pays and deductibles that we do. They don't know how good they've got it.
It's really hard to compete for employees in the private sector against the government's benefits. Here in Willmar, there was one job opening with the State and they got over 200 applicants just because of the benefits.

Feedback on potential features of a health insurance exchange model

There were sharp differences in how a health insurance exchange model was perceived by small business owners who currently offer health insurance versus those that do not. Small business owners who do offer insurance think that, despite the obstacles to maintaining insurance, it would be better for the marketplace to dictate the number and types of insurance products available for them to choose from as opposed to a health insurance exchange defining or limiting the number of offerings. The business owners who utilize insurance agents now believe that it is the agents' job to assist them in obtaining an insurance product that suits their business. The focus group moderators explained how agents can still be part of the Exchange model, but business owners generally felt that an Exchange would just be adding another layer that can be handled by insurance brokers today.

Most of the small business owners who offer health insurance either converted to HSAs or offer a hybrid of HSA/traditional insurance. They thought that the State should "let the dust settle" before trying another insurance model since it was too soon since the HSAs were introduced.

Small business owners who currently do not offer health insurance were more open to the idea of a health insurance exchange, but they were unsure if they would support it fully because they thought they would need more information about how it would function. Since they have yet to purchase health insurance for their business, they were not familiar with the role that an insurance agent could play today or under an Exchange model. There was not a consensus among small employers currently not offering health insurance whether it would be better from an administrative simplification standpoint to let the Exchange manage the number of products available in the marketplace or whether it is better to let the market dictate the number of offerings.

One issue of concern mentioned by both sets of small business owners in all of the sessions was the type of entity that the Exchange would be and who would sit on its Board of Directors. The consensus was that, even if it was designed to not be a government agency, it would morph into one. There was also concern that the people voted in or named to the Board would not be suited to make decisions for the whole state about what products should be offered in the Exchange.

The moderators discussed the current proposed design features of the Exchange in the handout provided to the focus group participants (refer to Appendix B). Another comment that resonated with both the small employers offering and those not offering health insurance is that if an Exchange were to be implemented, it needed to offer products that encouraged reducing health care costs. Employers were not convinced that the Exchange would be able to lower premium rates or reduce the inflationary rate on premiums from what is currently going on the marketplace.

In lieu of an Exchange, employers stated that they were looking to the government to reduce health insurance premiums. This could be done outside of an Exchange. A few participants in separate sessions discussed the concept of reinsurance. The B&A moderators described New York's HealthyNY program in which the state serves as the reinsurer for private sector insurance products and this has reduced premiums from what they were for products with comparable benefits prior to HealthyNY's introduction. This concept had a lot of appeal for many of the focus group participants.

Specific questions were posed to the focus groups regarding the Exchange. The responses from the two sets of small employer groups are shown in Exhibit III.1 on the next page.

Exhibit III.1
Results from Votes Regarding a Health Insurance Exchange- Small Business Owners

Straw Poll Question	Total Surveyed	Yes	No	Need More Info	Did Not Vote
Should the State continue to pursue the idea of a health insurance exchange?					
Small employers currently offering health insurance	34	23	8	0	3
Small employers not currently offering health insurance	10	9	1	0	0
Do you think you would support a health insurance exchange today?					
Small employers currently offering health insurance	34	2	20	9	3
Small employers not currently offering health insurance	10	3	0	7	0

Regardless of their votes on supporting or not supporting a health insurance exchange, the participants were asked, assuming a health insurance exchange was implemented, about some specific design features. The results of these votes are shown in Exhibit III.2.

Exhibit III.2
Results from Votes of Health Insurance Exchange Design Features-
Small Business Owners

	Small Business Owners Currently Offering	Small Business Owners Not Currently Offering
Mandated benefits		
The Exchange should set the minimum benefit package.	14	6
The Exchange should let the market define minimum benefits.	18	4
Don't know	2	
Type of Offerings		
The Exchange should pre-screen a limited number of plan options.	6	8
The Exchange should allow an unlimited number of options.	25	2
Did not vote	3	
Who Selects the Offerings in the Exchange		
Plan selection should be done solely by individuals.	25	7
Employer should select a few options for their employees.	5	0
Employer should select only one option for their employees.	1	3
Did not vote	3	

The results from the Exhibit III.2 indicate that small employers who have not been through the process of obtaining health insurance before appear to be much more comfortable with a health insurance exchange taking an active role in the State than the employers that have

already set up their own insurance plans. They cited that the Exchange model would help them navigate through the complexities of comparing health insurance products.

Comments and Suggestions from Small Businesses About a Health Insurance Exchange

It just seems like another level of bureaucracy.

Why can't it be like auto insurance? You don't need an Exchange for that.

This is Minnesota. Before long it will become government-based universal coverage.

The only way I would support this is if they put into law that there is no employer mandate and that there is no reporting requirement for employers related to the individual mandate.

I would hate to see that the options are limited [in an Exchange].

I am concerned about government influence over the Board.

Any bids from carriers to participate in the Exchange should be competitive and their applications should be transparent to the public.

Preventive programs should be included in any products sold in the Exchange.

If health consciousness would be a part of it, I could see it. If not, I don't agree with it.

Cost containment and consumer responsibility are more important issues. An Exchange wouldn't solve that.

HSAs need to be an option in the Exchange.

I like the idea of portability of insurance (in the Exchange design) *if you switch jobs.*

If the individual and small group markets are combined in the Exchange, then small groups should be able to buy insurance separately for smokers and non-smokers.

There should be disincentives built in as well, such as going to the ER instead of a primary care doctor.

If our health care costs don't go down, then this won't help.

Feedback on the concept of an individual health insurance mandate

The focus group moderators described how one proposal would be to have the Exchange model in Minnesota layered on top of an individual mandate. In some sessions, the mandate became a topic where a lot of opinions were offered. There was no clear consensus on the idea of a mandate. The debate usually was between "We're paying for the uninsured with tax dollars anyway, so why not have a mandate" and "I don't like the government telling me what to do about my personal health." There was also not consensus between small employers that offer health insurance and those that do not. For example, none of the small business owners who do not offer insurance in Bloomington thought there should be a mandate, but all of the business owners who do not offer insurance in Eagan did. In Willmar, among the small business owners who do offer insurance, six thought there should be a mandate, two did not, and three declined to vote.

Focus group participants did not see a correlation between the individual mandate and their decision to offer health insurance as a small business owner. That is, those that offer health insurance today thought that they would continue to offer it even if an individual mandate was imposed while those that do not offer health insurance today did not indicate that they would be more or less likely to offer it if a mandate was imposed.

An example that was cited more than once was comparing health insurance to auto insurance. Participants thought that even if there was a mandate like there is for auto insurance, it will be difficult to enforce. Someone in each focus group asked the moderators what the uninsured rate was in Minnesota. When they were told that Minnesota's rate was one of the lowest in the county (just under 10%), they questioned why the State was focused on the uninsured rate and not other aspects of health care costs. The B&A moderators described that the uninsured rate, though low in Minnesota, is growing. Also, our goal in the focus group was to discuss health insurance in particular but that other aspects of health care delivery and cost are being addressed by task forces. Participants stated that they thought the money spent on developing an Exchange could be better served in other aspects of health care.

Of major concern to all small business owners (those offering and not offering health insurance today) was that even if they as employers did not have a mandate to offer insurance, they would still be entangled in the enforcement of the individual mandate. They speculated that the State would require them to report whether employees had insurance and to garnish the tax/penalty for individuals that do not purchase health insurance out of their employee's wages and this was anathema to them.

> *If there was a low cost option, maybe, but would a low cost option actually give you what you need?*
>
> *People think that health care is a right but death is optional. But who should pay for these people?*

I could see the benefit of a mandate on the individual but definitely not on a small business.

I don't know if I believe in the mandate because I believe in personal responsibility and the ramifications of the decisions that individuals make.

I have a personal problem with requiring people to have to buy health insurance.

The uninsured rate does not seem to be the big problem here, it is health care costs. Why isn't the State doing more to address that?

We already have a lot of good programs for people in Minnesota like MinnesotaCare. I bet if everyone who was eligible for those programs were enrolled, the uninsured rate would go down a lot.

If people who can afford to buy health insurance don't want to, then that's their choice.

We already have to deal with garnishing wages, then this (payroll deduction for tax or penalty for those that do not purchase health insurance). *What's next?*

Thoughts about the benefit of Section 125 plans and a State mandate for employers to implement Section 125 plans

The concept of requiring businesses to offer Section 125 plans was almost universally rejected. Out of the 44 small business participants, 41 thought there should be no mandate at all. Three indicated that it should be required for businesses with 10 employees or more. [It should be noted that these were all business owners with less than 10 employees.] Almost all of the employers who currently offer health insurance already have a Section 125 plan in place or have created HSAs which have replaced their Section 125 plans. Even though they have taken this step and a mandate would not add any new burden for them, they still did not believe the government should be mandating what they should and should not do. Employers in the Twin Cities area in particular stated that the setup of a Section 125 can be easily handled by an insurance agent, benefits administrator, or a payroll service and the Exchange would not be needed to serve this function.

The small business owners that do not offer health insurance thought of the Section 125 mandate as an administrative burden that they did not want, despite the tax savings for their business. [An example illustrating how the Section 125 administrative costs pay for themselves quickly was shown in the handout that they received. See Appendix B.] Although it was described to these owners that a Section 125 could be set up to allow for health insurance premium deductions only (to keep administrative burden to a minimum), they were hesitant to agree to a mandate.

I don't trust that the government won't start intervening in other areas after this.

If a flex plan was mandated on us, then we should receive a tax credit for the set up of the plan.

It would have a worse outcome for those of us that are doing the right thing.

If the State could do something about the use-it-or-lose-it concept with 125 plans, that would really increase participation among employees.

Our tax code is too complex already, this just adds to the complexity.

IV. FEEDBACK FROM INSURANCE AGENTS

This section provides feedback from the three focus groups that consisted of insurance agents. The feedback provided has been categorized into major themes discussed below:

- Assessment of the affordability of health insurance in Minnesota
- Frustrations from business owners about purchasing or maintaining health insurance
- The impact of health status as a component for setting premiums
- Ideas about when or how it would be appropriate for the state or federal government to get involved in health insurance reform
- Feedback on potential features of a health insurance exchange model
- Feedback on the concept of an individual health insurance mandate
- Thoughts about the benefit of Section 125 plans and a State mandate for employers to implement Section 125 plans

As expected, the Burns & Associates (B&A) focus group moderators found that the insurance agents in Minnesota were very up-to-speed on the offerings to small business and individuals in Minnesota. They reported a rapid migration to HSA accounts and high deductible health plans in the small business group market in the last few years. Participants cited that they have become more engaged with their clients as new offerings have come into the market and they stated that they have taken on the responsibility of educating business owners as well as employees of these options.

Insurance agents report that they achieve an almost 100% close rate on inquiries that they receive related to health insurance. They stated that although individuals or employers are often shocked by premium rates across various offerings, "there is a product out there for everyone who wants to buy insurance." They see little rate difference in urban and rural parts of the state.

Commissions to insurance agents have been standardized in Minnesota among the four major carriers for about the last six years. The agents report that they receive the same flat rate from all carriers with the exception of a few products (restricted networks) from one carrier but they sell very few of these products. They report that they receive $50 per MCHA applicant which is minimal compared to the amount of work involved with these applicants.

Among the 28 insurance agents participating in the focus groups, only two thought that the State should pursue a health insurance exchange and none stated that they would support it if it was implemented. The moderators discussed the proposal for the Exchange to pay agents the commission that is currently paid to them by the carriers to try to assure them that they could be "held harmless" under the Exchange model. But reimbursement to them was not the prevailing reason for their disapproval of the Exchange model. Their primary issue was the government getting involved in an area where the private market can take care of itself. Agents believed that the State should focus on improving enrollment in

publicly-funded programs (MinnesotaCare) and stated their willingness to participate in this enrollment outreach.

All of the agents stated that Section 125 plans are "no brainers" for small business owners who offer only a traditional insurance policy and they strongly encourage these. But they stated that as small businesses move to HSAs, the Section 125 plans become moot because of the "use-it-or-lose-it" policy with Section 125 plans that is not present in HSAs. Agents see no need for an Exchange model to get involved with Section 125 plans. All but one of the 28 agents thought there should be no mandate on employers to offer Section 125 plans.

More details on the major themes are provided in the remainder of this section. Items in italics are either direct quotes or paraphrases of comments from focus group participants.

Assessment of the affordability of health insurance in Minnesota

Insurance agents stated that it is not a foregone conclusion that their small business group clients want them to "shop" their plan every year. They indicated that each client is unique as to what kind of premium increase he/she is willing to absorb, but most appear to be satisfied or leave things as is if they experience a single-digit rate increase at renewal time.

> *If groups are in a high tier, it may be worth it to bid it out.*
>
> *It* [interest in bidding out] *really varies by premium rate increase.*
>
> *We try to breed long-term relationships with carriers.*
>
> *You can keep it* [premium increases] *to single digits if you work at it. The real problem is overutilization.*
>
> *We don't sell insurance. We buy insurance for our clients. There is a difference.*

There was some dissention about whether the limited number of carriers has caused health insurance to become unaffordable in Minnesota. Most believed that, despite the limited number of carriers, there were enough product offerings among the carriers for each group to find a product that suits them and is affordable.

> *We had 42 carriers prior to 1992. Now three carriers control about 95% of the business. We have an oligopoly now.*
>
> *I think there is a marketplace with three or more carriers. Is it better to support the administrative function of 42 carriers?*

The agents predicted that HSA accounts are the "wave of the future" and small business owners will continue to covert to these high-deductible plans and away from traditional insurance products. By and large, the agents report that their clients are very satisfied when they move to HSAs because (a) it puts more health purchasing responsibility on their

employees; (b) they can control their contribution to each employee better; (c) they are more cost effective, even if the employer funds most or all of the employee's deductible; and (d) the employers pick up participation among their "invincibles" (males under age 30) who perceive HSAs as a better benefit to them.

> *I could see 75% of small business owners offering HSAs either solo or as a dual offer* [with a traditional insurance product] *in the next ten years.*
>
> *HSAs will be 75+% of the market real soon. If teachers start to take them, you know it has caught on.*
>
> *HSAs are good except if you already had a group with a bare bones plan, then not so much.*
>
> *Part of it is plan design. Heavy users with co-pays and high out-of-pockets can do better under an HSA.*
>
> *Even with my small group clients that have the dual option* [HSAs and traditional product], *most employees choose the HSA.*
>
> *Flex plans are becoming redundant if HSAs are in place.*

Frustrations from business owners about purchasing or maintaining health insurance

For those that continue to want to purchase a traditional health insurance product, the insurance agents cited that small business owners are frustrated both by the large increase in their premiums for an isolated claims event as well as premium increases that don't appear to be related to their group's claims experience. They stated that business owners feel "stuck" if they had a bad claims year and resent that they have to "game the system" by moving to a new carrier to drop to a lower experience table. Employers feel resentment from their employees for having to fill out more forms and for changing carriers on them.

Despite this, the agents indicated that it almost never happens that a small group will drop health care insurance. They will work with the agent to find an affordable product. This often results in an HSA. Then business owners are frustrated by the educational process. Many agents stated that it takes the first year for the business to get through living with the HSA model; then they are fine with it after that.

> *It* [putting the group's product out to bid] *comes with the territory. A lot of employers don't like to rock the boat with their employees.*
>
> *Small employers are too busy. Sometimes it is too much hassle to put it out to bid.*
>
> *The problem is that employers don't understand that you can't take all of the table rating and equate it to the group's experience rating.*

With guaranteed issue, any group with under age 59 people can get a product.

I have not seen employers tighten eligibility on their plans, just more creative financing.

I have not seen anyone [small groups] *drop insurance, but I have seen them drop dependent coverage.*

I try to educate employers that dropping kids increases health risk so they should try to keep the families on.

I'll tell people to switch carriers every three to four years to lower their table rating. There is no validity between the table rating and the MLRs (medical loss ratios).

Shopping is Mickey Mouse stuff but sometimes is necessary.

The impact of health status as a component for setting premiums

Insurance agents were asked their thoughts about whether it is worthwhile to continue to use health status as a component in setting premiums or if the State should consider moving to a modified community rating option (e.g. age, group size and geography would be the factors used to set premiums). Feelings were mixed.

You don't want to disincentivize healthy behaviors by removing health status completely.

Removing medical underwriting takes the responsibility away from the individual.

It may not be health underwriting itself, but a standardized questionnaire is needed as well as the ability to refer people to public and private sector options.

It is true that there is always a double sale—the base product then the actual sale after health underwriting. But if you get rid of underwriting you may lose innovation.

What needs to change is people's perception of smoking, obesity, and preventive care. These will drive down costs naturally.

What you need to do is pull the plug on insuring the first year and last six months of life. That's where all the costs are.

I don't trust modified community rating. I think you have to have skin in the game like consumer-driven health care to drive down health care costs.

Ideas about when or how it would be appropriate for the state or federal government to get involved in health insurance reform

Before introducing the concept of the health insurance exchange or an individual mandate, the focus group moderators asked the participants for specific ideas of when or how it would be appropriate for the State of Minnesota or the federal government to be involved in health insurance reform. The ideas that permeated in the sessions were not what the government should be doing that they are not doing now, but what the government should stop doing (mandates) that they are doing now. The agents conveyed opinions strongly for a less-regulated insurance market.

There was a strong belief that health insurance reform is not the root of the problem. Instead, the main problem is health care costs that lead to perceived problems in small group health insurance. There was also interest in exploring a state-funded reinsurance model separate from MCHA that caters to the small group and individual markets.

Related to MinnesotaCare…

> *Let the State share in the insurance premium for individuals eligible for MinnesotaCare.*
>
> *We're not involved in MinnesotaCare. We were never asked to be a conduit. Why doesn't the State use us to enroll people in MinnesotaCare? We run into these people all the time in the small group market.*
>
> *Let agents get CPE credit for learning about MinnesotaCare eligibility and then let them enroll people in the program.*
>
> *Exclude people eligible for MinnesotaCare from the small group counts and enroll them in MinnesotaCare if it is more cost effective to the State. Counties are now dropping your coverage if people have it available elsewhere and it is cheaper for the county.*

Related to existing mandates…

> *Eliminate the requirement that individuals under 25 who are not dependents can be covered under parent's plan.*
>
> *Reduce the minimum benefit package. Blue Cross wants to offer more product options but the State won't let them.*
>
> *When I talk to carriers, one of the biggest problems they say is the red tape with the Department of Commerce. Minnesota really gives their carriers the runaround.*
>
> *We are #2 on mandates in this country. We have enacted legislation but then no one takes action on it.*

Related to MCHA…

> *Why don't we look at pooling large claims and doing some kind of reinsurance on them? MCHA works here. Maybe broaden MCHA?*
>
> *Get rid of the MCHA tax on small businesses.*
>
> *The biggest hypocrite with respect to the MCHA tax is the State of Minnesota. Less than 50% of the population in Minnesota is covered by plans that pay the MCHA tax. Why doesn't the State practice what it preaches by paying its fair share?*

Other ideas…

> *We need to keep individual responsibility in the equation, so this means coming up with differentials in rates for behaviors. I could see combining the individual and small group market, though.*
>
> *Increase reimbursement rates to providers serving MinnesotaCare so it becomes a product that people would want to have and would increase access.*
>
> *Have one insurance product that everyone pays towards but the premiums are subject to a percentage of household income.*
>
> *Give consumers more information (e.g. hospital charges) and allow them the ability to negotiate.*

Feedback on potential features of a health insurance exchange model

The concept of a health insurance exchange model was universally rejected by the focus group participants. The focus group moderators explained how agents can still be part of the Exchange model, but agents did not see how an Exchange could do anything that the agents themselves don't already do. They perceive the Exchange as additional administrative burden rather than streamlining burden. They also believe that the Exchange would inhibit creativity from the carriers in designing new products.
In the two sessions where the Exchange model was rejected outright (all voted not to pursue any further), the moderators did not ask specific design features of what an Exchange could look like. In Eagan, two agents said that the State could at least explore the idea further. Therefore, the same questions about design of the Exchange asked of small business owners were asked of these agents. In summary,

- All eight agents in Eagan thought that the market should dictate what a "bare bones" product should be instead of the Exchange making this determination.
- All eight agents thought that the Exchange should allow an unlimited number of products.

- Five out of eight thought that individuals should have responsibility for plan selection in the Exchange if there was such a vehicle and there was an individual mandate.

Comments and Suggestions from Insurance Agents About a Health Insurance Exchange

Impact to the market…

High-benefit plans will be priced out of control if an Exchange is put in place.

It [combining the individual and small group market] *will ruin the price points in the individual market.*

A Soviet-style grocery store with one price? I trust the competitive marketplace.

The Exchange would just remix the marketplace and do nothing to address premium increases. They will still go up.

Issues with its proposed design…

What is the purpose of the Exchange? It just adds bureaucracy.

When you create an Exchange, insurance becomes more simplified but less creative. No single entity should define the marketplace like this.

The Exchange is one concept. Why do we think that one exchange would be appropriate? If the analogy is the farmer's market, we have lots of them in Minnesota. Why not multiple exchanges?

Why make the Exchange for just private sector? Why not public sector programs, too?

If they do this, health savings accounts need to be included in the Exchange.

Who is this committee/Board? How will they be determined? Will they be qualified?

How can a legislator make the call for rationing my health care choices?

It baffles me that a committee could decide what is best for the entire state. For example, the MinnesotaCare Board set up a bunch of policies and many were discontinued. This is the same thing.

I'm not against the Exchange because I think I am going to lose my commission. It's for a lot of other reasons. Believe me, if the carriers thought there was a way

around agents to do distribution, we would have been out of a job a long time ago. We are the most efficient way for the carriers to sell their products.

The wrong overall approach…

I don't understand why they [the State task forces] *are looking at this. With guaranteed issue and MCHA, you don't need it.*

What concerns me is the questions we don't know to ask yet. Let's wait for HSAs to formulate in the marketplace before taking something like this on.

Let the people who know how to do it do it [insurance agents].

We have the best system of any state in the union. The public is getting educated on MSAs. We are getting more and more satisfied clients. This is putting the cart before the horse.

What they [the State task forces] *should be looking for are market-driven solutions. The rule of holes is when you're in one, stop digging.*

How is the Exchange going to handle the cost of health care? Why are we concentrating on this and not discussing management and costs and waste that contribute to higher premiums?

This [health care costs] *can't be fixed until they deal with the consumer, the insurer, the government, and paperwork and transparency.*

Our uninsured rate isn't that bad and this doesn't solve that problem anyway. We would be better off trying to enroll people who are eligible for public programs. We are cheap labor at 2 – 2.5% of premiums. Why not use the money for the Exchange to pay us to enroll people in MinnesotaCare?

This is a big hammer for a little nail [referring to Minnesota's uninsured rate].

Unintended consequences…

Brokers are not good enrollers. Our job is to educate. Who is going to do the education in the Exchange model?

I could foresee having one person in my office dedicated to just dealing with the bureaucracy of the Exchange.

I have a problem with the government telling me what to do about a personal choice.

Other comments…

> *We don't need more administration. We need individual responsibility. Maybe our application process for health insurance is not the best in the world, but this* [the Exchange] *is not the solution.*
>
> *The one attractive idea mentioned here is the website. But rather than the Exchange website, why doesn't the government set up a website where people can put in information about themselves to find out what they are eligible for that would tell you about public sector and private sector options?*
>
> *It's never a question of how much the government should spend on something like this, but why should it spend anything at all?*
>
> *The Exchange would follow the nightmare of other government programs.*
>
> *If someone can show me that the government has delivered something for less money than the private sector, then I would support it. I haven't seen that yet.*
>
> *Forcing Massachusetts on Minnesota doesn't really address our problems.*
>
> *We're going to be no better off five years from now than we are today.*

Feedback on the concept of an individual health insurance mandate

In two of the three focus groups with insurance agents, a vote was taken on whether or not the State should impose an individual health insurance mandate. All participants voted that there should not be a mandate. [A vote was not taken in the third focus group because the individual mandate was mixed in with the topic of the Exchange and there was a strong vocal negative response to the individual mandate.]

Their vote/feedback was primarily driven by two reasons:

- The uninsured rate in Minnesota does not merit such a mandate
- It would be difficult to impossible to enforce

Like the small business owners, the agents cited auto insurance as an example of a mandate that doesn't really work. More than one agent cited that in Minnesota approximately 15% of drivers lack auto insurance even though there is a mandate. The agents questioned how the State would enforce a health insurance mandate. They envisioned that individuals would "work" the system around the time they had to prove health insurance much in the same way that they do for auto insurance (e.g. coverage for only a few months around renewal time).

Thoughts about the benefit of Section 125 plans and a State mandate for employers to implement Section 125 plans

The concept of requiring businesses to offer Section 125 plans was rejected by all but one of the insurance agents. Many believed that small businesses fall into two categories. One group is those that currently offer insurance and already have a Section 125 plan or have moved to an HSA and no longer need a Section 125 plan. The other group is those that do not offer insurance and are too small to see a benefit in implementing a Section 125 plan. This group would most likely be exempted from the mandate anyway so the number of businesses added under a mandate would be very small.

> *Mandating a flex plan wouldn't help that much.*
>
> *125s are redundant to HSAs. They are not worth it due to the use-it-or-lose-it policy.*
>
> *Employers who don't do it now are those for which the tax savings is not significant enough for the administrative burden.*

APPENDIX A

QUESTIONS ASKED AT FOCUS GROUP SESSIONS

Questions for Focus Group: Employers Currently Offering Health Insurance

1. Tell us briefly about the type of business you have, how many employees you have, how long you have been in business, and how many of those years you have offered health insurance.

2. At some point you decided to offer health insurance to your employees. What were the reasons you decided to offer it?

3. Tell us about the process you went about when you first obtained health insurance.

    a. Did you use a broker?
    b. What made the process the most frustrating or complicated?

4. Have you considered getting rid of the health insurance benefit? Why?

5. Have you shopped around for different coverage since you first set up the health insurance plan? Why?

6. What is the most difficult thing about offering health insurance?

7. How do you decide what level to contribute or not contribute?

8. What could the State or the Federal government do to make it easier for you to continue to offer health insurance to your employees?

9. The State of Minnesota is thinking about developing something called a health insurance exchange. This would be set up to help small businesses like yourselves make it easier to shop for health insurance and hopefully find a product that you like and is affordable.

    Let's look at Handout #1 and go over possible features of the Exchange. Then we want to ask you about specifics of how the Exchange could most help you. [Walk through the first page of Handout #1. Then solicit feedback on the 3 items on the second page of Handout #1.]

9. Now we want to go to Handout #2 and talk about Section 125 or Cafeteria Plans. These types of plans can be used to assist employees in paying for health insurance among other things. [Walk through Handout #2.]

    Do any of you have a Section 125 Plan in place now? Why do you think this is beneficial to you or your employees?

    Now we would like to get your feedback on whether or not you think Section 125 Plans should be a mandatory or voluntary part of any health insurance exchange that the State develops. [Solicit feedback on statements at bottom of page 2 of Handout #2.]

10. Does the idea of offering a cafeteria plan appeal to you? Why or why not?

11. What ideas do you have about how the State can educate the public about either the health insurance exchange or Section 125 plans?

Questions for Focus Group: Employers Currently Not Offering Health Insurance

1. Tell us briefly about the type of business you have, how many employees you have, how long you have been in business, and how many of those years you have offered health insurance.

2. You have all indicated to us that you currently do not offer health insurance through your business. What are the reasons you decided not to offer it?

3. Did anyone offer health insurance in the past? Why did you drop it?

4. Have any of you looked into obtaining health insurance for your employees? Tell us about the process you went through.
    a. Did you use a broker?
    b. What made the process the most frustrating or complicated?

5. What could the State or the Federal government do to make it easier for you to offer health insurance to your employees?

6. The State of Minnesota is thinking about developing something called a health insurance exchange. This would be set up to help small businesses like yourselves make it easier to shop for health insurance and hopefully find a product that you like and is affordable.

    Let's look at Handout #1 and go over possible features of the Exchange. Then we want to ask you about specifics of how the Exchange could most help you. [Walk through the first page of Handout #1. Then seek feedback on the 3 items on the second page of Handout #1.]

7. Do you think that something like a health insurance exchange would give you a reason to reconsider offering a health insurance benefit to your employees? Why or why not?

8. If you would reconsider offering, would you consider offering any contribution to cover the premium? How much?

9. Now we want to go to Handout #2 and talk about Section 125 or Cafeteria Plans. These types of plans can be used to assist employees in paying for health insurance among other things. [Walk through Handout #2.]

    Do any of you have a Section 125 Plan in place now? Why do you think this is beneficial to you or your employees?

    Now we would like to get your feedback on whether or not you think Section 125 Plans should be a mandatory or voluntary part of any health insurance exchange that the State develops. [Solicit feedback on statements at bottom of page 2 of Handout #2.]

9. Whether or not you decide to offer health insurance to your employees, does the idea of offering a cafeteria plan appeal to you? Why or why not?

10. What ideas do you have about how the State can educate the public about either the health insurance exchange or Section 125 plans?

Questions for Focus Group: Insurance Agents

1. Tell us briefly about how long you have been a broker, what areas you serve, the portfolio of what you sell, and who are the majority of your customers.

2. What would you estimate is the rate of inquiries from small businesses about obtaining a health insurance plan to actual signed contracts?

3. Among your small business customer base, what would you estimate is the percentage of customers that want you to shop for a new health insurance product at each renewal period? Do you think that this would change if health status was removed as part of the criteria for setting premiums?

4. Do you have many small business owners drop health insurance completely each year due to the premium hikes? At what rate would you estimate this occurs?

5. What are the kinds of frustrations you hear from small business owners about continuing to offer health insurance?

6. What is your assessment of the availability of affordable health insurance products in Minnesota? Cite any urban/rural differences.

7. Who pays you and how much variability is there in payment across carriers?

8. What could the State or the Federal government do to make it easier for small businesses to offer initially or continue to offer health insurance to employees?

9. The State of Minnesota is thinking about developing something called a health insurance exchange. This would be set up to help small businesses and possibly individuals make it easier to shop for health insurance and hopefully find a product that is affordable and meets their needs.

   Let's look at Handout #1 and go over possible features of the Exchange. Then we want to ask you about specifics of how the Exchange could be most helpful to you to encourage small business owners to purchase health insurance. [Walk through the first page of Handout #1. Then seek feedback on the 3 items on the 2nd page of Handout #1.]

9. Do you think that something like a health insurance exchange would help you you're your job and get more clients? Why or why not?

10. Do you perceive a health insurance exchange, as laid out here, is a threat to your business? Why or why not?

11. Now we want to go to Handout #2 and talk about Section 125 or Cafeteria Plans. [Walk through Handout #2.] Do any of you offer Section 125 Plans as part of your portfolio? What is the take-up rate among small business owners? Why do they decide to offer or not offer it?

12. Now we would like to get your feedback on whether or not you think Section 125 Plans should be a mandatory or voluntary part of any health insurance exchange that the State develops. [Solicit feedback on statements at bottom of page 2 of Handout #2.]

13. What ideas do you have about how the State can educate the public about either the health insurance exchange or Section 125 plans?

APPENDIX B

HANDOUTS DISTRIBUTED AT FOCUS GROUP SESSIONS

HANDOUT #1

Possible Features of a Minnesota Health Insurance Exchange Plan

- Available to small businesses and to individuals who do not have access to insurance through their employer
- Groups individuals together to lower premium costs for everyone
- Health status of individuals is taken out of calculation for setting premiums, so a small group's premium would not change if an employee got sick. Age of small group members or geography may still be a factor in premium pricing.
- Small businesses would not be required to offer health insurance as a benefit or to contribute towards coverage.
- If small businesses do offer health insurance, there would be no minimum participation requirements.
- If individuals sign up on their own, they can keep the same insurance even if they change jobs.
- Facilitated by the State of Minnesota but not a government agency (would be constructed as a not-for-profit entity not owned by any individual insurance company) and managed by a Board that cannot include insurance company employees
- State funds would support the initial implementation, but ongoing costs could be covered by a small surcharge on each premium (estimated at < 1% of total premium) sold through the Exchange.
- May supplement or work in tandem with existing insurance brokers

Let us know your thoughts on the importance of these possible features:

1) Mandated Requirements

   a) The Exchange could set benefits or caps for out-of-pocket expenses for individuals (e.g. co-pays and deductibles not to exceed $5,000 per person per year). OR

   b) The Exchange should let the market (insurance carriers) dictate what is a "bare bones" plan.

2) Pre-Screened Offerings

   a) The Exchange could require health insurance companies to bid on products defined as high coverage, medium coverage, and low coverage options. In Massachusetts, they call these "Gold", "Silver" and "Bronze" plans. Small business owners can compare prices knowing benefits are "apples to apples". OR

   b) The Exchange could allow health insurance companies to propose a variety of products to include in the Exchange in the same manner that is done in the marketplace now.

3) Options Available to Small Business Owners- Who Picks the Insurance Product?

   a) Small business owners could set a defined contribution amount and employees could select their own benefit package from the Exchange. OR

   b) Small business owners may select more than one plan for their staff, depending upon certain criteria. OR

   c) Small business owners must select only one plan for all staff members.

HANDOUT #2

Features of Section 125 ("Cafeteria") Plans

- NOT HSAs (Health Savings Accounts) which are associated with catastrophic health insurance plans. A Section 125 Plan enables employers to offer employees various fringe benefits on a pre-tax basis, including:

  1. Health insurance
  2. Contributions to health savings accounts
  3. Group term life insurance
  4. Accidental death and dismemberment insurance
  5. Disability insurance
  6. Dependent care (day care)
  7. Flexible spending accounts

- *Our focus here* is related to employers who can set up a Section 125 Plan to handle just the health insurance payments and not other benefits.

- Employers do not have to offer health insurance to implement a Section 125 Plan.

- Employers get the benefit of not paying FICA/Medicare taxes on the amount that is withheld from employee's paychecks for Section 125 Plans. Employees get the benefit of using pre-tax dollars to pay for health insurance (see next page).

- Most payroll services are well-informed and work with businesses on handling Section 125 deductions.

- Estimates can vary, but startup costs to implement a Section 125 can be as low as $300, meaning it takes about 2-3 people to recoup the employer's costs.

- The Exchange or insurance brokers can help with set up.

How It Works

1) Once a year, employees declare how much they want taken out of their paycheck to go into their cafeteria plan. An equal amount is taken out each pay period.

2) When employees incur expenses that can be paid out of the cafeteria plan, they submit this expense to their employer (e.g. health insurance premium bill, day care bill) after they have already paid for it.

3) Employers then reimburse employees the money they spent out of the employee's own cafeteria plan account.

4) Any unspent money in the employee's account stays in the company's cafeteria plan and can be used by the plan for other purposes (e.g. administrative costs, paying other employee's expenses).

Example of Tax Benefit to Employer and Employee

The example below illustrates if an employee participated in a Section 125 Plan and just had money withheld from the paycheck to cover the amount they had to contribute towards health insurance.

	With Plan	**Without Plan**
Employee's Adjusted Gross Income	$50,000	$50,000
Annual Pre-Tax Health Insurance Contribution	$2,100	$0
Taxable Income	$47,900	$50,000
Estimated Taxes (FICA, Federal, State)	$11,880	$12,676
Annual After-Tax Health Insurance Contribution	$0	$2,100
Net Take-Home Pay	$36,020	$35,224
Additional Money to Employee	$796	
FICA Savings for Employer	$161	

The Exchange could also facilitate small businesses in developing Section 125 Plans. Let us know your thoughts about the use of Section 125 Plans from the following statements:

(1) Any small business must offer the Section 125 benefit to their employees (enables employees to make their share of health insurance contributions with pre-tax dollars) OR

(2) Any small business with 10 or more employees must offer the Section 125 benefit

(3) No requirement of employers to offer the Section 125 benefit

APPENDIX C

SUMMARIES OF INDIVIDUAL FOCUS GROUP SESSIONS

Summary of Focus Group Sessions

Location	Willmar
Date and Time	Monday, Nov. 12, 7:30-9:30am
Number of Scheduled Participants	14
Number of Actual Participants	11
Type of Participants	Small business owners offering health insurance (one attendee did not offer)
Industries Represented	Retail floral shop, financial services, private school, non-profit org, computer services, wholesale auto sales, dentistry, auto dealership, optometric clinic, health care clinic

Should the State continue to pursue the idea of a health insurance exchange?	**5** Yes **3** No **3** Did not vote
Do you think you would support a health insurance exchange?	**0** Yes **8** No **3** Did not vote
Should there be an individual mandate?	**6** Yes **2** No **3** Did not vote
Mandated benefits	**0** indicated that the Exchange should set the minimum benefit package. **11** indicated that the Exchange should let the market dictate what is defined as a "bare bones" plan.
Type of Offerings	**4** indicated that the Exchange should require carriers to bid on pre-screened benefit packages to enable apples to apples comparisons. **4** indicated that the Exchange should allow an unlimited number of products. **3** Did not vote
Who Selects the Offerings	**5** indicated that plan selection in the Exchange should decided by the individuals. **2** indicated that the small employer should select a few options for their employees from the Exchange. **1** indicated that the small employer should select one option only from the Exchange. **3** Did not vote
Mandatory Requirement for Section 125 Plans	**0** indicated that Section 125 plans should be mandatory for all employers. **0** indicated they should be required for businesses with employees 10 or more. **11** thought there should be no Section 125 mandate.

Summary of Focus Group Sessions

Location	Willmar
Date and Time	Monday, Nov. 12, 12:00-1:30pm
Number of Scheduled Participants	7
Number of Actual Participants	8
Type of Participants	Insurance agents
Industries Represented	All but one sell to the small group market (2-50); all but two sell to individual health insurance market. Most participants sell insurance other than health such as property and casualty, life, AD&D, worker's comp, and auto.

Do you think that the State should continue to pursue the idea of a health insurance exchange?	**0** Yes **8** No
Do you think you would support a health insurance exchange?	**0** Yes **8** No
Should there be an individual mandate?	**0** Yes **8** No
Mandated benefits	Did not take separate vote on whether or not the Exchange should set the minimum benefit package since no participants thought the Exchange should be pursued.
Type of Offerings	Did not take separate votes on whether or not the Exchange should require carriers to bid on pre-screened benefit packages since no participants thought the Exchange should be pursued.
Who Selects the Offerings	Did not take separate vote on who should select the insurance products (individual employee or employer) since no participant thought the Exchange should be pursued.
Mandatory Requirement for Section 125 Plans	**0** indicated that Section 125 plans should be mandatory for all employers. **0** indicated they should be required for businesses with employees 10 or more. **8** thought there should be no Section 125 mandate.

Summary of Focus Group Sessions

Location	Bloomington
Date and Time	Tuesday, Nov. 13, 7:30-9:30am
Number of Scheduled Participants	14
Number of Actual Participants	13
Type of Participants	Small business owners offering health insurance
Industries Represented	Restorative dental, consulting, non-profit social services, non-profit energy conservation, health care/senior housing, home improvement, financial consulting, IT and software development, public affairs, evaluation and research, computer consulting, photography, catering and special events planning

Do you think that the State should continue to pursue the idea of a health insurance exchange?	**9** Yes **4** No
Do you think you would support a health insurance exchange?	**2** Yes **11** No
Should there be an individual mandate?	[Did not ask the question]
Mandated benefits	**8** indicated that the Exchange should set the minimum benefit package. **5** indicated that the Exchange should let the market dictate what is defined as a "bare bones" plan.
Type of Offerings	**0** indicated that the Exchange should require carriers to bid on pre-screened benefit packages to enable apples to apples comparisons. **13** indicated that the Exchange should allow an unlimited number of products.
Who Selects the Offerings	**13** indicated that plan selection in the Exchange should decided by the individuals. **0** indicated that the small employer should select a few options for their employees from the Exchange. **0** indicated that the small employer should select one option only from the Exchange.
Mandatory Requirement for Section 125 Plans	**0** indicated that Section 125 plans should be mandatory for all employers. **0** indicated they should be required for businesses with employees 10 or more. **13** thought there should be no Section 125 mandate.

Summary of Focus Group Sessions

Location	Bloomington
Date and Time	Tuesday, Nov. 13, 7:30-9:30am
Number of Scheduled Participants	12
Number of Actual Participants	12
Type of Participants	Insurance agents
Industries Represented	All but one participant were exclusively employee benefits agents (health, life, A&D and some sold workers comp). One participant was a financial advisor that also consults clients on purchasing health insurance.

Do you think that the State should continue to pursue the idea of a health insurance exchange?	**0** Yes **12** No
Do you think you would support a health insurance exchange?	**0** Yes **12** No
Should there be an individual mandate?	[Did not ask the question]
Mandated benefits	Did not take separate vote on whether or not the Exchange should set the minimum benefit package since no participants thought the Exchange should be pursued.
Type of Offerings	Did not take separate votes on whether or not the Exchange should require carriers to bid on pre-screened benefit packages since no participants thought the Exchange should be pursued.
Who Selects the Offerings	Did not take separate vote on who should select the insurance products (individual employee or employer) since no participant thought the Exchange should be pursued.
Mandatory Requirement for Section 125 Plans	**0** indicated that Section 125 plans should be mandatory for all employers. **0** indicated they should be required for businesses with employees 10 or more. **12** thought there should be no Section 125 mandate.

Summary of Focus Group Sessions

Location	Bloomington
Date and Time	Tuesday, Nov. 13, 5:30-7:00pm
Number of Scheduled Participants	7
Number of Actual Participants	7
Type of Participants	Small business owners not offering health insurance
Industries Represented	Residential construction, chiropractic, health care, massage therapy, catering, printing, promotional products

Do you think that the State should continue to pursue the idea of a health insurance exchange?	**6** Yes **1** No
Do you think you would support a health insurance exchange?	Consensus was that more information was needed to formulate an opinion.
Should there be an individual mandate?	**0** Yes **7** No
Mandated benefits	**3** indicated that the Exchange should set the minimum benefit package. **4** indicated that the Exchange should let the market dictate what is defined as a "bare bones" plan.
Type of Offerings	**7** indicated that the Exchange should require carriers to bid on pre-screened benefit packages to enable apples to apples comparisons. **0** indicated that the Exchange should allow an unlimited number of products.
Who Selects the Offerings	**7** indicated that plan selection in the Exchange should decided by the individuals. **0** indicated that the small employer should select a few options for their employees from the Exchange. **0** indicated that the small employer should select one option only from the Exchange.
Mandatory Requirement for Section 125 Plans	**0** indicated that Section 125 plans should be mandatory for all employers. **0** indicated they should be required for businesses with employees 10 or more. **7** thought there should be no Section 125 mandate.

Summary of Focus Group Sessions

Location	Eagan
Date and Time	Wednesday, Nov. 14, 7:30-9:30am
Number of Scheduled Participants	9
Number of Actual Participants	10
Type of Participants	Small business owners offering health insurance
Industries Represented	Insurance, towing, travel agency, printing and copying, IT/computer technology, telecommunications, technology training, non-profit social services agency, non-profit local agency

Do you think that the State should continue to pursue the idea of a health insurance exchange?	**9** Yes **1** No
Do you think you would support a health insurance exchange?	**9** Don't know—need more info to form opinion **1** No
Should there be an individual mandate?	[Did not ask the question]
Mandated benefits	**6** indicated that the Exchange should set the minimum benefit package. **2** indicated that the Exchange should let the market dictate what is defined as a "bare bones" plan. **2** Did not know
Type of Offerings	**2** indicated that the Exchange should require carriers to bid on pre-screened benefit packages to enable apples to apples comparisons. **8** indicated that the Exchange should allow an unlimited number of products.
Who Selects the Offerings	**7** indicated that plan selection in the Exchange should decided by the individuals. **3** indicated that the small employer should select a few options for their employees from the Exchange. **0** indicated that the small employer should select one option only from the Exchange.
Mandatory Requirement for Section 125 Plans	**0** indicated that Section 125 plans should be mandatory for all employers. **0** indicated they should be required for businesses with employees 10 or more. **10** thought there should be no Section 125 mandate.

Summary of Focus Group Sessions

Location	Eagan
Date and Time	Wednesday, Nov. 14, 12:00-2:00pm
Number of Scheduled Participants	6
Number of Actual Participants	8
Type of Participants	Insurance agents
Industries Represented	All but one participant were exclusively employee benefits agents (health, life, A&D and some sold workers comp). One participant also sold other insurance products besides employee benefits.

Do you think that the State should continue to pursue the idea of a health insurance exchange?	**2** Yes **6** No
Do you think you would support a health insurance exchange?	**0** Yes **8** No
Should there be an individual mandate?	**0** Yes **8** No
Mandated benefits	**0** indicated that the Exchange should set the minimum benefit package. **8** indicated that the Exchange should let the market dictate what is defined as a "bare bones" plan.
Type of Offerings	**0** indicated that the Exchange should require carriers to bid on pre-screened benefit packages to enable apples to apples comparisons. **8** indicated that the Exchange should allow an unlimited number of products.
Who Selects the Offerings	**5** indicated that plan selection in the Exchange should decided by the individuals. **2** indicated that the small employer should select a few options for their employees from the Exchange. **0** indicated that the small employer should select one option only from the Exchange. **1** Did not vote
Mandatory Requirement for Section 125 Plans	**1** indicated that Section 125 plans should be mandatory for all employers. **0** indicated they should be required for businesses with employees 10 or more. **7** thought there should be no Section 125 mandate.

Summary of Focus Group Sessions

Location	Eagan
Date and Time	Wednesday, Nov. 14, 5:30-7:30pm
Number of Scheduled Participants	6
Number of Actual Participants	3
Type of Participants	Small business owners not offering health insurance
Industries Represented	Chiropractor, home security design and inspection, non-profit fundraising

Do you think that the State should continue to pursue the idea of a health insurance exchange?	**3** Yes **0** No
Do you think you would support a health insurance exchange?	**3** Yes **0** No
Should there be an individual mandate?	**3** Yes **0** No
Mandated benefits	**3** indicated that the Exchange should set the minimum benefit package. **0** indicated that the Exchange should let the market dictate what is defined as a "bare bones" plan.
Type of Offerings	**1** indicated that the Exchange should require carriers to bid on pre-screened benefit packages to enable apples to apples comparisons. **2** indicated that the Exchange should allow an unlimited number of products.
Who Selects the Offerings	**0** indicated that plan selection in the Exchange should decided by the individuals. **0** indicated that the small employer should select a few options for their employees from the Exchange. **3** indicated that the small employer should select one option only from the Exchange.
Mandatory Requirement for Section 125 Plans	**0** indicated that Section 125 plans should be mandatory for all employers. **3** indicated they should be required for businesses with employees 10 or more. **0** thought there should be no Section 125 mandate.