

# **Insuring Dependent Children**

## **A Report On Small Business Employer and Employee Survey Data Regarding Health Insurance Coverage For Dependent Children**

*Commissioned By*

**California Small Business Education Foundation**

*on behalf of*

**California Small Business Association  
California Small Business Roundtable**

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**An Independent Study Conducted By**

**The Resource Group**

**Funded By A Grant From**

**The California Wellness Foundation**

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### EXECUTIVE SUMMARY

The California Small Business Education Foundation (CSBEF) on behalf of the California Small Business Association (CSBA) and the California Small Business Roundtable (CSBR) commissioned The Resource Group courtesy of a grant by the Wellness Foundation to conduct this study to better understand the issue of health insurance coverage for dependent children of small business employees. This project was designed to better understand the reasons small businesses—those with 50 or fewer employees—do not or cannot offer health insurance coverage for employees and their dependent children and to find out why some parents are not insuring their dependent children whether or not coverage is offered by their employers. Data collected will assist the project team to 1) determine the need for educating small business in regard to health insurance coverage options, 2) be more informed of the nature of solutions to be employed to increase health insurance coverage for dependent children, and 3) decide how a program like Healthy Families could be best utilized to address the problem of uninsured dependent children of small business employees.

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### Major Findings

#### *Employer Findings . . .*

- 72%** Of small businesses with 50 or fewer employees offer health insurance coverage to employees
- 80%** Of employers consider financial factors to be important to their decision to offer or not offer health insurance coverage to employees
- 64%** Of businesses offer health insurance coverage to dependent children of employees
- 49%** Is the median percent of the dependent health coverage premium paid by employers
- 43%** Of employers have one or more employees who are not accepting dependent coverage offered through the company
- 80%** Of businesses consider choice of providers and preventive medicine coverage to be of key importance
- 42%** Of businesses have an interest in tax credit subsidies as a means to offset the cost of health insurance coverage for employees' dependent children

#### *Employee Findings . . .*

- 90%** Of employees without employer-sponsored health coverage want health coverage for dependent children but can't afford it
  - 60%** Of employees without employer-sponsored health coverage insure dependent children through their spouse's employer
  - 20%** Of employees do not accept health insurance coverage from their employer for dependent children
  - 47%** Of employees not accepting employer-sponsored health coverage want health coverage for dependent children but can't afford it
  - 93%** Of employees consider choice of plan and/or providers and comprehensive benefits which include preventive care important features of health insurance coverage for dependent children
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# INTRODUCTION

The issue of health insurance coverage in California has emerged as a key challenge for residents in the state. More than one in five Californians are currently without health insurance. About 85% of these 7 million people are connected to employment.

The recent surge in job growth among small businesses and self-employment may account for some of the difficulty in maintaining the level of health insurance coverage. Smaller firms are less likely to offer insurance, with cost being a major factor. Larger employers, in contrast, tend to have better bargaining power with carriers and the financial ability to cover their employees.

The skill and wage of the job also determines the level of coverage that is provided and accepted. Employees working in low wage jobs are less likely to receive insurance through their employer. Some minority segments of the workforce, particularly Latinos, have been found to be less likely to have health insurance coverage as compared to other population segments.

Another reason for the current concern over health care is that a portion of employees who have coverage available are declining such coverage for their families. Employers report that nearly one in five employees do not obtain health insurance for their dependents. Two possible causes for this have been proposed. The first reason is cost. Small- to medium-size employers and those paying salaries of \$13,000-\$27,000 indicate that cost is the main reason why coverage is declined. Secondly, employees may decline coverage because their children are covered through a spouse's health plan. The extent of premium contributions also impacts the percent of employees who decline coverage. Employers who contribute 51% to 75% report that only 15% decline coverage. The rate of decline drops when employers provide 76% to 100% of the cost.

This independent study was commissioned by the California Small Business Association (CSBA) through the California Education Foundation (CSBEF) to determine the current state of health care coverage for small business employees and their families. The intent of the study was to learn more about employees working at small businesses who do not have health insurance coverage for their dependent children, whether or not such insurance is offered by the company, and the reasons why these working parents are not insuring their children. It was anticipated that information gathered would lead to a better understanding of the need to educate small businesses in regard to health insurance coverage options, to get a better picture of the incentives of interest to employers and employees which would help to increase health insurance coverage for dependent children, and to determine what could be done to best utilize a program like Healthy Families to address the problem of uninsured dependent children.

This project was guided by a group of advisors comprised of key individuals representing small business concerns and Latino businesses and representatives from Insuring the Uninsured Project, The Children's Partnership, and various government agencies with interests in this issue. The group was tasked to review and approve research goals and methodology, evaluate preliminary findings and assist in the development and finalization of this report.

The Resource Group (TRG) was engaged to conduct the independent study. TRG is a California small business data collection and research enterprise. Established in 1988, TRG specializes in designing and conducting studies, polls and censuses. Its clients include educational institutions, public agencies, local governments, social service organizations, law firms, businesses, trade associations, small business and nonprofit organizations.

## Methodology

This was an extensive research project, which obtained data using various methodologies from a sampling of small business employers and employees across California. Small businesses included in this project were those with 50 or fewer employees. The project included focus group sessions with small business owners and operators and surveying via fax, mail and telephone.

To serve as the basis of understanding of the issues to be queried, research counsel worked at compiling relevant existing data sources, both internal and external. Through this task, a sample of individuals who have been involved with research and/or services related to the issue of children's health coverage was identified. Executive telephone interviews with 15 of these identified individuals were conducted in early July 1999. The information from these interviews was used to help shape the discussion outline for the business focus group sessions.

Two focus groups sessions were conducted in Baldwin Park, California on July 29, 1999. Prior research indicated a lack of insurance tended to be most prevalent amongst smaller employers and those with a relatively high proportion of Latino employees. The community and employer demographics of the central San Gabriel Valley suggested that Baldwin Park and the surrounding area has a relatively high number of such businesses and, therefore, was an ideal location for conducting the focus group studies.

With data from the business focus group sessions, TRG and project representatives worked together to construct and finalize a 5-minute self-administered survey instrument which was sent to a random sample of small businesses across the state. Fielding of the employer survey occurred from August through October 1999. Over 10,000 small businesses across the state—those employing 50 or fewer employees—were sent a survey by mail or fax, while nearly 1,200 call attempts were made to get employers to complete a survey over the telephone. The first 342 completed surveys—206 surveys sent out by fax, 102 completed by telephone and 34 sent by mail—served as the basis for this analysis.

A 5-minute self-administered survey instrument was constructed and finalized the last week of September to be completed by small business employees with dependent children. As with employers, employee surveys were mailed, faxed and completed by telephone. For the telephone survey, individuals were called at home to request their participation in the employee survey. Some 2,109 call attempts were made, yielding 84 completed telephone interviews with working individuals. Another methodology used was to send surveys via fax and mail to employers to request the participation of their employees. As a result of this method, 46 employee surveys were completed and returned.

## **Statistical Significance And Projectionability Of Findings**

Among employers, 342 surveys were completed using various methodologies. These data presented fall within a +/-5 % confidence interval at a 95% confidence level. This interval and level of confidence is well within established parameters for social research of this size.

Some 130 questionnaires were completed by small business employees with dependent children. Because of the selection process involved in finding working individuals with dependent children, a random sampling procedure could not be employed in surveying employees. Thus, data from the employee survey portion of the project are limited in regard to projectionability but should be considered a valuable source of information in regard to this topic area. However, the issue of dependent health insurance coverage among small business employees is a complicated one and deserves further study to establish more conclusive results.

The uniqueness of the data collected in conjunction with the various methodologies used to obtain responses from small businesses and employees should give the reader further confidence in the findings presented in this report.

# FINDINGS

## Employer Views

### *Research Methodology*

The purpose of conducting business focus group sessions was to learn more about the underlying issues associated with employer decisions to either offer or not offer health insurance and employer views concerning dependent coverage. Additional goals included exploring employer perceptions as to why some employees do not elect to take health insurance for either themselves or their families when such coverage is offered. It was expected that the focus groups sessions would not only offer qualitative data which would be used to develop relevant questions for a survey instrument to be widely distributed to small businesses across California but would also augment any quantitative data collected.

The survey was designed to obtain quantitative data from employers as to their offering of health insurance coverage to employees, the reasons why some do not or cannot offer such coverage, a desired health benefits package, what they could afford or would be willing to pay to help cover the cost of health insurance coverage, and the incentives they would consider or prefer to offset their costs for offering such coverage.

The two focus groups sessions were conducted in July 1999. Fielding of the employer survey among a random sample of small businesses across the state with 50 or fewer employees occurred from August through the October 1999. The first 342 completed questionnaires—206 surveys received by fax, 102 completed by phone and 34 received by mail—served as the basis for this analysis.

To better understand the role of small business in the dependent health insurance issue, a separate analysis was conducted among businesses with employees that possibly have uninsured dependent children. In general, two types of businesses are included in this group: 1) businesses that do not offer insurance coverage and have employees with dependent children, and 2) businesses that do offer insurance but have employees with dependent children that are not accepting coverage for their children. Data from this group of 178 employers are presented in some instances alongside aggregate data from all 342 employers responding to the survey.

### *Incidence of Employer Health Insurance Coverage*

Of the all responding employers, nearly 72% offer health insurance coverage to some or all employees. The percentage is much lower when considering employers that possibly have employees without health insurance for their dependent children.

#### **Does your company currently offer health insurance coverage to employees?**

	<i>Aggregate</i>	<i>Employers That Possibly Have Employees With Uninsured Children</i>
Yes, coverage offered to some or all employees	71.5%	57.6%
No, not offered to any employees	28.5	42.4

## Reasons For Not Offering Employees Coverage

Focus group discussions about the importance of health insurance indicate that most small business owners and managers tend to view healthcare insurance in terms of their own personal and family situations and consider coverage to be quite important, regardless of whether or not they offered health insurance to their employees. Following are a few examples of comments:

*"I think it is extremely important [no insurance for employees] and I think about it all the time; my husband passed away in January."*

*"I have owned my own business for 9 years. The first 4 years we [75% of employees are currently covered] had no medical insurance and that was always in the back of my mind. What about if we get sick?"*

*"Other than minor illnesses, we [95% of employees are not covered] have not had to use our insurance...I am fortunate enough that I don't have to think about health insurance on a continuing basis."*

*I think that it is very important. For a while I didn't have healthcare insurance [for myself] and was very worried. Now I have insurance and peace of mind. [No insurance for employees.]*

Surveyed businesses without employer-sponsored health insurance coverage for employees were asked to rate the importance of a number of factors on their decision not to offer health insurance coverage to employees. Based on mean importance ratings, financial issues were key, receiving a rating of 4.20. The thought that employees were covered elsewhere fell to second, at a mean importance rating of 3.61. Findings were the same for employers grouped as possibly having employees with uninsured children.

### Mean\* Importance Of Factors In Deciding Not To Offer Health Insurance Coverage To Employees

	Aggregate	<i>Employers That Possibly Have Employees With Uninsured Children</i>
Financial	4.20	4.39
Employees are covered elsewhere	3.61	3.58
Employees prefer higher wages	2.88	2.86
Employee don't think they need insurance	2.43	2.37

\* Mean rating: 1="Not Important At All"; 5="Very Important"

Among focus group participants, cost was clearly the number one reason for those not offering insurance to their employees. In many cases it was the only reason. However, several employers not offering insurance coverage to employees said that they would be happy to offer it if their employees wanted it but indicated that employees would rather have it in wages. It was also mentioned that healthcare coverage can be relatively low priority for many young people, especially if they are single and have no children.

**Rating Of Importance Of Factors In Deciding Not To Offer Health Insurance Coverage To Employees**

	Mean	<i>Not Important At All</i> 1	2	3	4	<i>Very Important</i> 5
<b>Aggregate</b>						
Financial	4.20	8.9%	2.2%	8.9%	20.0%	60.0%
Employees are covered elsewhere	3.61	19.0	4.8	14.3	20.2	41.7
Employees prefer higher wages	2.88	27.0	15.7	21.3	14.6	21.3
Employees don't think they need insurance	2.43	46.5	8.1	17.4	11.6	16.3
<b>Employers That Possibly Have Employees With Uninsured Children</b>						
Financial	4.39	6.9%	—	8.3%	16.7%	68.1%
Employees are covered elsewhere	3.58	19.7	4.5	15.2	19.7	40.9
Employees prefer higher wages	2.86	25.7	17.1	25.7	8.6	22.9
Employees don't think they need insurance	2.37	48.5	7.4	19.1	8.8	16.2

**Health Insurance Coverage Offered To Employees**

Businesses responding to the survey that indicated they offer health insurance coverage to employees were asked to provide more detail as to the benefits offered, their contributions, if any, and the uptake of offered health insurance coverage by employees. Nearly all employers indicated they offer health insurance benefits to full-time employees, and 8% offer such coverage to part-time employees. Three out of five offer coverage for employees' spouses and dependent children.

**Percent Of Employers Offering Health Insurance Benefits To Employees And Their Dependents**

	<u>Aggregate</u>	<u>Employers That Possibly Have Employees With Uninsured Children</u>
<b>Company offers health insurance benefits to . . .</b>		
Full-time employees	99.6%	99.0%
Part-time employees	7.8	8.8
Spouse of employees	62.6	50.0
Dependent children of employees	63.8	50.0

Most focus group participants who offered some amount of insurance coverage did so because of perceived business needs rather than as a matter of conscience. Many felt that it was necessary to offer health insurance in order to attract and retain quality employees. Following are examples of such comments indicating coverage was offered for business reasons:

*“Just recently, it’s been very difficult to get good employees. I felt because we were offering the insurance, we were able to get better employees. A few years ago when we didn’t offer it, the employees that we were able to hire were just looking for work. Now, many are picky and they will not work for a company that doesn’t offer it.”*

*“As a businessperson I would say we have to offer it in order to be competitive.”*

*“Your higher skilled employees are going to require and demand health insurance whereas the lower skilled employees will usually not.”*

One participant, expressing his reason for offering insurance in terms of his personal conviction, indicated “it’s the thing to do.” When the group was polled to find how many agreed with this position, almost all did. However, there were some qualifiers made such as:

*“It’s the thing to do, if you can afford it.”*

Another comment by a person who said she offered health insurance to attract and retain people seemed to sum up how many participants felt, regardless of whether or not they offered insurance:

*“We offer it in order to get good people. As far as it being the thing to do, I think everyone is responsible for himself or herself in the long run. If you can’t get a job with health insurance, then you get it on your own.”*

### Percent Of Health Insurance Premium Paid By Company

	<u>Aggregate</u>	<u>Employers That Possibly Have Employees With Uninsured Children</u>
<b>Full-Time Employee Coverage</b>		
0% of premium paid by company	1.7%	2.1%
1% - 25%	0.9	1.1
26% - 50%	18.1	25.3
51% - 75%	8.2	11.6
76% - 98%	11.6	10.5
100%	59.5	49.5
<b>Part-Time Employee Coverage</b>		
0% of premium paid by company	26.7%	28.6%
1% - 25%	6.7	—
26% - 50%	20.0	28.6
51% - 75%	—	—
76% - 98%	6.7	—
100%	40.0	42.9
<b>Spouse Coverage</b>		
0% of premium paid by company	39.3%	70.2%
1% - 25%	1.4	2.1
26% - 50%	11.7	12.8
51% - 75%	7.6	6.4
76% - 98%	10.3	6.4
100%	29.7	2.1
<b>Dependent Children Coverage</b>		
0% of premium paid by company	40.5%	72.3%
1% - 25%	1.4	2.1
26% - 50%	10.8	10.6
51% - 75%	6.8	6.4
76% - 98%	10.8	6.4
100%	29.7	2.1



Although slightly more than three out of five responding employers indicated they offer health insurance coverage to employees' spouses and dependent children, about 40% of this group do not pay for any part of the premium cost. Percentages are even higher among employers that possibly have employees with uninsured children. While one-half of these latter employers offer insurance coverage for spouses and dependent children, 70% pay nothing to offset the cost of the coverage.

Those offering coverage for employees were asked to indicate the percent of the insurance premium paid by the company. Based on medians across all respondents, an average employer offering insurance to its full-time employees pays approximately 84% of the premium. Employers pay about 57% of the premium for part-time employees and about one-half of the premiums for an employee's spouse and dependent children.

When viewing responses from the group of employers that possibly have employees with uninsured children, the percentage of premium paid by companies to cover the cost of dependent health coverage drops by much more than one-half to 17%.

**Median Percent Of Health Insurance Premium Paid By Company**

	<u>Aggregate</u>	<u>Employers That Possibly Have Employees With Uninsured Children</u>
<b>Median percent of premium paid by company to cover . . .</b>		
Full-time employees	84.4%	79.2%
Part-time employees	57.0	57.1
Spouse of employees	50.0	18.0
Dependent children of employees	49.3	17.0

Considering median number of employees across companies offering health insurance coverage to employees, an average business in this group employs 10 individuals. About seven of those are accepting health coverage from their employer.

**Median Number Of Employees At Companies  
Offering Health Insurance Coverage To Employees**

	<u>Aggregate</u>	<u>Employers That Possibly Have Employees With Uninsured Children</u>
<b>Median number of employees</b>	10.0 employees	12.0 employees
Median number of employees <u>accepting</u> health insurance coverage	7.0	8.0
Median number of employees <u>declining</u> health insurance coverage	1.0	2.0
<b>Median number of employees with dependent children</b>	3.0	5.0
Median number of employees accepting health insurance coverage for their dependent children	2.0	2.0
Median number of employees declining health insurance coverage for their dependent children	1.0	2.0

Relative to the total number of employees, some 30% of employers indicate that all employees are accepting company-sponsored health insurance. Among the remaining 70%, the number of employees accepting coverage is less than the number of total employees.

Focus group participants were asked to discuss the reasons employees don't accept insurance coverage when it is offered to them. Several reiterated that some of their employees did not accept coverage because they had coverage through their spouses or would prefer to have it in wages.

Some participants seemed to feel that employees could not afford to take on their share of the cost of coverage, while others suggested that employees who were relatively young and single with no children were less likely to have an interest in healthcare insurance. When asked if cultural or language factors might be a barrier, some seemed to feel that it might be but most felt that the most important barrier was either economic or educational.

Among companies offering health insurance coverage, a median of three employees have dependent children. Two of those, on average, are accepting health insurance coverage for their dependent children.

Some 57% of employers indicate that all their employees with dependent children are accepting health insurance coverage for their children. *The remaining 43% of employers have one or more employees that are not accepting dependent coverage offered through the business.*

### **Health Benefits Package**

To understand the relative importance of health insurance benefits, small businesses, regardless of whether or not they currently offer a health insurance package through their company, were asked to rate the importance of a number of health benefits.

Based on mean importance ratings, choice of providers (e.g. choice of doctors, hospitals) received the highest rating of 4.29, followed by preventive medicine coverage at a mean of 4.25. The least important, at 2.72, was having a choice of benefit options for different levels of employees (e.g. management vs. staff, full-time vs. part-time, based on seniority).

#### **Mean\* Importance Of Selected Characteristics Of Health Insurance**

	<u>Aggregate</u>	<u>Employers That Possibly Have Employees With Uninsured Children</u>
Choice of providers	4.29	4.24
Covering preventive medicine	4.25	4.14
Choice of type of health insurance	4.16	4.12
Choice of benefit options	3.83	3.79
Covering catastrophic only	2.98	2.87
Choice of benefit options for different levels of employees	2.72	2.79

\* Mean rating: 1="Not Important At All"; 5="Very Important"

Focus group participants were also asked to discuss which they would consider to be the key benefits that should be included, should health insurance coverage be offered. While there was considerable variation in response to this question, most participants seemed to mention standard benefits rather than a package that only emphasized a few or catastrophic benefits. A sample of such comments are as follows:

*“There should be medical, hospitalization, dental and vision.”*

*“A sufficient amount to cover any major problem...heart attack, cancer plus minor coverage...broken bones, colds, etc.”*

*“Provide the basic benefits.”*

**Rating Of Importance Of Types Of Health Insurance Benefits**

	Mean	Not Important At All 1	2	3	4	Very Important 5
<b>Aggregate</b>						
Choice of providers	4.29	1.8%	4.3%	12.8%	25.8%	55.3%
Covering preventive medicine	4.25	1.8	5.5	12.8	25.5	54.4
Choice of type of health insurance	4.16	3.0	5.5	13.7	28.3	49.5
Choice of benefit options	3.83	4.4	10.7	20.4	26.7	37.7
Covering catastrophic only	2.98	27.5	14.8	18.8	9.9	29.0
Choice of benefit options for different levels of employees	2.72	32.4	15.7	17.6	16.4	17.9
<b>Employers That Possibly Have Employees With Uninsured Children</b>						
Choice of providers	4.24	2.9%	4.0%	14.5%	23.1%	55.5%
Covering preventive medicine	4.14	3.4	6.9	13.8	24.1	51.7
Choice of type of health insurance	4.12	2.9	5.2	15.7	29.1	47.1
Choice of benefit options	3.79	6.1	12.2	18.3	23.2	40.2
Covering catastrophic only	2.87	30.1	15.6	17.9	9.8	26.6
Choice of benefit options for different levels of employees	2.79	30.4	16.1	18.5	14.9	20.2

To help employees, about one-half of businesses responding to the survey indicated they would consider paying higher monthly premiums to lower the cost of employee co-pays and/or deductibles. Percentages were slightly higher among the group of employers that possibly have employees with uninsured children.

**Willingness Of Employer To Pay Higher Monthly Premiums For Lower Employee Co-Pay Or Deductible**

	Aggregate	Employers That Possibly Have Employees With Uninsured Children
<b>Willing to pay higher monthly premiums for lower employee co-pay?</b>		
Yes	7.8%	6.9%
Maybe	42.7	46.3
<b>Willing to pay higher monthly premiums for lower employee deductible?</b>		
Yes	7.2%	6.9%
Maybe	47.4	50.0

## Health Benefits For Dependent Children Of Employees

Consistent with other studies, businesses responding to this current survey indicate that cost is a primary reason for not offering health insurance coverage to employees. Even when a company does offer such coverage, in many cases, the company can only cover the cost of health insurance for its employees and cannot afford to cover an employee's dependent children.

To get a better understanding of what small businesses can afford or are willing to pay to help cover the cost of health insurance coverage for employees' dependent children, employers in this study were asked to choose a monthly amount they consider acceptable to spend per dependent child of an employee. Interestingly, 37% would be willing to pay up to \$20 for each employee with one dependent child, \$40 for each employee with two dependent children and/or \$60 a month per employee with three or more dependent children. Nearly 18% would be willing to pay up to \$40, \$60 and \$120 to help cover each employee's one, two and three dependent children, respectively.

### Monthly Amount Employer Finds Acceptable To Spend Per Dependent Child Of Employee

	<u>Aggregate</u>	<u>Employers That Possibly Have Employees With Uninsured Children</u>
\$0 for 1 child/\$0 for 2 children/\$0 for 3 or more children	38.0%	43.2%
\$20 for 1child/\$40 for 2 children/\$60 for 3 or more children	37.4	39.1
\$40 for 1child/\$80 for 2 children/\$120 for 3 or more children	17.7	14.8
\$60 for 1child/\$120 for 2 children/\$180 for 3 or more children	6.9	3.0

Several solutions have been proposed to help pay the monthly premiums relating to health benefits for dependent children of employees. Small businesses involved in the focus group sessions or those asked to complete a survey were queried as to their level of interest in various ways to offset the cost of monthly premiums associated with dependent health coverage.

Among employers responding to the survey portion of the project, the idea to implement a tax credit subsidy to business to encourage offering dependent health insurance coverage received the highest interest rating of 3.64. All other solutions received neutral interest ratings of 3.10 or less.

### Mean\* Interest For Solutions To Help Pay The Monthly Premiums Relating To Health Benefits For Dependent Children Of Employees

	<u>Aggregate</u>	<u>Employers That Possibly Have Employees With Uninsured Children</u>
Tax credit subsidy	3.64	3.67
Re-design of healthcare system	3.10	3.26
Government insurance program	2.89	3.08
Private program	2.80	2.84
Child-only product	2.48	2.62

\* Mean rating: 1="Not Interested At All"; 5="Very Interested"

When discussing what would be the best approach for an incentive or tax credit to be offered to help subsidize health insurance for children, many focus group participants expressed a negative view toward government subsidies and some opposition to MediCal and felt that the problem was best dealt with on a private sector basis. None of the participants felt that any form of health insurance should be mandated for employers by the government.

There seemed to be no consensus among businesses in the focus group sessions on what might be an acceptable approach for tax credits. It was apparent, however, that most did not feel that an employee tax credit was likely to be effective given the perception that employees have a lack of understanding of how to use and benefit from a tax credit.

One participant mentioned the possibility of somehow offering dependent coverage through Worker's Compensation and many agreed this might be a good idea. None, however, would want it to be mandated.

**Rating Of Interest For Solutions To Help Pay The Monthly Premiums Relating To Health Benefits For Dependent Children Of Employees**

	Mean	<i>Not Interested At All</i> 1	2	3	4	<i>Very Interested</i> 5
<b>Aggregate</b>						
Tax credit subsidy	3.64	29.5%	16.6%	13.2%	16.6%	24.1%
Government insurance program	2.89	23.8	17.8	27.3	17.1	14.0
Private program	2.80	36.2	15.2	24.6	12.0	12.0
Child-only product	2.48	25.9	10.0	17.8	20.6	25.6
Re-design of healthcare system	3.10	18.5	—	11.1	—	70.4
<b>Businesses That Possibly Have Employees With Uninsured Children</b>						
Tax credit subsidy	3.67	14.2%	9.5%	13.0%	21.9%	41.4%
Government insurance program	3.08	25.3	14.1	15.3	17.6	27.6
Private program	2.84	22.4	18.8	25.9	18.8	14.1
Child-only product	2.62	32.5	16.9	22.3	12.7	15.7
Re-design of healthcare system	3.26	21.6	9.9	18.1	21.1	29.2

**Company Profile**

Among the responding 342 businesses, nearly 48% offer services, 18% are involved in manufacturing, and 12% work in wholesale trade. The group of 178 employers that possibly have employees with uninsured children realize a similar breakdown by industry.

**Self-Identification Of Type Of Business**

	<u>Aggregate</u>	<u>Employers That Possibly Have Employees With Uninsured Children</u>
Agriculture	1.5%	1.7%
Manufacturing	18.2	18.4
Transportation	1.5	1.1
Wholesale Trade	11.6	8.6
Retail Trade	7.7	6.9
Finance/Insurance/Real Estate	9.2	8.6
Services	47.6	51.7
Other	2.7	2.9

Nearly 55% of responding companies indicate that their business is growing to some degree—46% indicate they are experiencing at least moderate growth, and 9% report they are in the midst of a major business expansion. Some 40% say they are holding steady, while a mere 5% of firms indicate they are in a decline mode.

There is some evidence here that company growth may have an effect on whether a company can offer its employees health insurance coverage. While slightly more than three out of four (77%) responding businesses in a growth mode offer employees health insurance coverage, the percentage is 66% among those holding steady and 56% among businesses in a decline mode.

	<b>Current Business Activity</b>	
	<b>Aggregate</b>	<b>Employers That Possibly Have Employees With Uninsured Children</b>
Greatly expanding	9.0%	8.7%
Moderately growing	45.5	46.2
Holding steady	40.1	41.0
Declining	5.4	4.0

The average number of years a responding company has been in business is 15 years. Not surprisingly, the longer a company has been in operation, the more likely it is to offer employees health insurance coverage. Some 58% of those in business between one and five years, as compared to nearly 79% in business for more than 16 years, offer health insurance coverage to employees.

	<b>Years Company Has Been In Business</b>	
	<b>Aggregate</b>	<b>Employers That Possibly Have Employees With Uninsured Children</b>
1 - 5 years	13.2%	14.0%
6 - 10 years	17.2	18.1
11 - 15 years	22.1	24.6
16 - 20 years	14.1	15.2
21 - 30 years	14.7	11.1
31 - 50 years	13.5	12.3
50 years or more	5.2	4.7
<b>Median number of years in business:</b>	15.0	15.0

Some 18% of businesses responding to the survey self-identified as a female-owned business, while 21% indicated the business is minority-owned. These low percentages are most likely due to the fact that businesses often consider this information proprietary and irrelevant to the purpose of the study.

	<b>Percent Of Female-Owned And Minority-Owned Businesses</b>	
	<b>Aggregate</b>	<b>Employers That Possibly Have Employees With Uninsured Children</b>
Female-owned business	18.1%	19.1%
Minority-owned business	21.3	23.6

Among employers who offer health insurance coverage to their employees, the median number of employees is 10. In contrast, three out of five employers not offering health insurance coverage employ five or fewer individuals which results in a median across this group of four employees.

**Total Number Of Employees**

	<i>Aggregate</i>		<i>Employers That Possibly Have Employees With Uninsured Children</i>	
	<i>Employer Offers Health Insurance</i>	<i>Employer Does <u>Not</u> Offer Health Insurance</i>	<i>Employer Offers Health Insurance</i>	<i>Employer Does <u>Not</u> Offer Health Insurance</i>
1 - 5 employees	19.8%	61.5%	9.8%	52.0%
6 - 10 employees	31.4	26.0	33.3	32.0
11 - 15 employees	20.7	5.2	21.6	6.7
16 - 20 employees	12.0	3.1	13.7	4.0
21 - 30 employees	7.4	1.0	6.9	1.3
31 - 50 employees	5.4	3.1	8.8	4.0
More than 50 employees	3.3	—	5.9	—
<b><i>Median total number of employees with children:</i></b>	10.0	4.0	12.0	5.0

**Total Number Of Employees With Dependent Children**

	<i>Aggregate</i>		<i>Employers That Possibly Have Employees With Uninsured Children</i>	
	<i>Employer Offers Health Insurance</i>	<i>Employer Does <u>Not</u> Offer Health Insurance</i>	<i>Employer Offers Health Insurance</i>	<i>Employer Does <u>Not</u> Offer Health Insurance</i>
No employees	8.1%	21.9%	—	—
1 – 5 employees	61.9	63.5	60.2	81.3
6 – 10 employees	16.5	11.5	20.4	14.7
11 – 15 employees	6.8	—	10.2	—
16 – 20 employees	4.2	1.0	5.1	1.3
21 – 30 employees	1.7	2.1	2.0	2.7
31 – 50 employees	0.4	—	1.0	—
More than 50 employees	0.4	—	1.0	—
<b><i>Median total number of employees with children:</i></b>	3.0	2.0	5.0	3.0

# Employee Views

## **Research Methodology**

The survey of employees was designed to learn more about why some employees do not accept or have health insurance coverage for their dependent children, the characteristics of the coverage some do have, how much they could afford or would be willing to pay to insure their children, and the relative importance of health benefit plan features.

Data from 130 questionnaires—15 from employees at companies that do not offer health insurance coverage and 115 from individuals working for a business that does offer health insurance coverage to its employees—were completed by small business employees with dependent children and included in this analysis. Data from both sub-groups of respondents are presented in this section for informational purposes only and should not be considered projectionable.

We feel confident that the original data collected and presented here is unique and a valuable source of information on this topic area. However, the issue of dependent health insurance coverage among small business employees is a complicated one and deserves further study to establish more conclusive results.

## **Incidence Of Health Insurance Coverage For Dependent Children**

Some 80% of individuals working for employers that offer them health insurance coverage accept coverage from the company for their dependent children. This is not surprising given that nearly 80% have employers that pay a percentage of the premium. In fact, 17% of employees indicate their employer pays between 76% and 99% of their dependent coverage premium, and 55% indicate 100% of the cost is paid by the company.

### **Do you currently accept health insurance coverage from your employer for your dependent children?**

*(Among Employees Whose Employer Offers Health Insurance Coverage)*

Yes	80.0%
No	20.0

*Consistent with findings from similar studies, one out of five employees (20%) indicate they are not accepting health insurance coverage from their employer for their dependent children.*

### **Percent Of Premium Employer Pays To Cover The Cost Of Health Insurance For Dependent Children Of Employees**

*(Among Employees Whose Employer Offers Health Insurance Coverage)*

0% of premium paid by company	22.9%
1% - 25%	1.0
26% - 50%	2.9
51% - 75%	1.0
76% - 99%	17.1
100%	55.2
<b>Median percent of premium paid by company:</b>	<b>71.5%</b>



Employees at companies that do not offer health insurance coverage for their employees were asked to indicate if they did have coverage for their dependent children through another source. One-third indicated that they did.

Some 93% indicated they would accept health insurance from their employer should the company offer such coverage.

**Do you still have health insurance coverage for your dependent children although your employer does not offer health insurance coverage to any of its employees?**

*(Among Employees Whose Employer Does Not Offer Health Insurance Coverage)*

Yes	33.3%
No	66.7

**Reasons For Not Having Health Insurance Coverage For Dependent Children**

For informational purposes only, a separate analysis was conducted with the 19 employees without insurance for their dependent children—10 working at companies not offering health insurance coverage to employees and nine (9) not accepting employer-sponsored health insurance coverage.

All but one individual in each group indicated they would like to have health insurance coverage for their dependent children but can't afford it. Nine of the 10 at companies not offering coverage to employees indicated they would accept coverage for their dependent children should the company offer it.

Another key finding among the group of employees with uninsured dependent children is that 15 of the 19 indicated they could afford or would be willing to pay some amount to help pay for health insurance coverage for their children.

Among these 19 employees, the median number of years they have been working at their respective companies is two years, while median hours worked per week is 40 hours. Of the 19 employees, 18 are Hispanic and one self identifies as Black. This latter finding is consistent with earlier research indicating that some minority segments of the workforce, particularly Latinos, are less likely to be offered or accept health insurance as compared to other population segments.

The findings from these 19 employees are in no way projectionable but are interesting to note. The findings also suggest the need to conduct further studies to build on the data collected.

**Employee Reasons For Not Having Health Insurance Coverage For Dependent Children**

*(Among Employees Whose Employer Does Not Offer Health Insurance Coverage)*

	Yes	No	TOTAL
I want to have health insurance for my dependent children but can't afford it	90.0%	10.0%	100.0%
My dependent children don't get sick enough to need health insurance	30.0	70.0	100.0%
My dependent children can get care without health insurance	30.0	70.0	100.0%

## **Employer-Sponsored Health Insurance Coverage For Dependent Children**

Seven out of 10 employees accepting coverage from their employer for their dependent children indicate they pay no monthly premium for such coverage. Among this group, the average monthly premium paid is about \$28.

### **Monthly Premium For Health Insurance Coverage For Dependent Children**

*(Among Employees Whose Employer Offers Health Insurance Coverage)*

\$0	73.1%
\$1 - \$25	3.8
\$26 - \$50	6.4
\$51 - \$100	9.0
\$101 - \$200	3.8
\$201 or more	3.8
<b>Mean monthly premium:</b>	<b>\$28.19</b>

Health insurance benefits offered by employers and accepted by employees for their dependent children are typical of HMO and PPO plans. Nearly all employees accepting this type of coverage from their employer indicate the plan covers preventive care, and some 88% indicate they are required to select from a list of approved doctors. Similar numbers of employees—about two out of three—indicate the plan includes dental and vision coverage.

### **Benefits For Dependent Children With Employer-Sponsored Health Insurance Coverage**

*(Among Employees Whose Employer Offers Health Insurance Coverage)*

	Yes	No
Covers preventive care	97.8%	2.2%
Requires that I select from a list of approved doctors	88.4	11.6
Requires a co-pay per visit	79.8	20.2
Includes dental coverage	67.8	32.2
Includes vision coverage	66.7	33.3
Requires a deductible	26.1	73.9

About 26% of employees say their dependent children health insurance plan requires that they pay a deductible. With two out of five of this group paying a \$200 to \$300 deductible, the mean deductible paid is \$247.

### **Deductible Required With Employer-Sponsored Health Insurance Coverage For Dependent Children**

*(Among Employees With A Plan That Requires A Deductible)*

\$1 - \$50	16.7%
\$51 - \$100	16.7
\$101 - \$200	—
\$201 - \$300	41.7
\$300 - \$500	25.0
<b>Mean deductible:</b>	<b>\$247.13</b>

Nearly eight out of 10 employees accepting health coverage for their dependent from their employer are required to pay a co-pay per visit. While 41% pay between \$6 to \$10 a visit for their dependent child, a similar percentage (38%) pay less than \$5. The average co-pay calculates out to approximately \$9.

**Co-Pay Required With Employer-Sponsored Health Insurance Coverage For Dependent Children**  
*(Among Employees With A Plan That Requires A Co-Pay)*

\$1 - \$5	37.7%
\$6 - \$10	41.0
\$11 - \$15	18.0
\$16 - \$20	1.6
\$21 or more	1.6
<b>Mean co-pay:</b>	<b>\$9.19</b>

**Other Health Insurance Coverage For Dependent Children**

Three out of the five (40%) individuals working for companies that do not currently offer health insurance coverage to employees indicate their dependent children have health insurance coverage through their spouse’s employer. Another two employees individually purchase health coverage for their children, and one has his/her children covered through Healthy Families or MediCal.

**Health Insurance Coverage For Dependent Children Of Employees Working At Companies Not Offering Coverage**  
*(Among Employees Whose Employer Does Not Offer Health Insurance Coverage)*

	Yes	No	TOTAL
My dependent children have health insurance coverage through my spouse’s employer	40.0%	60.0%	100.0%
I purchase health insurance coverage individually for my dependent children	40.0	60.0	100.0%
My children are covered through Healthy Families or MediCal	20.0	80.0	100.0%

Among individuals not accepting health insurance coverage from their employer for their dependent children, 62% have coverage for their children through their spouse’s employer. Nearly one-half would like to accept coverage but cannot afford to.

**Employees Reasons For Not Accepting Health Insurance Coverage From Employer For Dependent Children**

*(Among Employees Who Do Not Accept Employer-Sponsored Dependent Health Insurance Coverage)*

	Yes	No	TOTAL
My dependent children have health insurance coverage through my spouse's employer	61.9%	38.1%	100.0%
I want to have health insurance for my dependent children but can't afford it	47.1	52.9	100.0%
I purchase health insurance coverage individually for my dependent children	15.8	84.2	100.0%
My dependent children don't get sick enough to need health insurance	5.9	94.1	100.0%
My dependent children can get care without health insurance	5.6	94.4	100.0%

**Health Plan Premiums And Benefits**

All employees were asked to indicate the most they could afford to pay to have health insurance coverage for their dependent children. Selections were to be made based upon the number of children they have. One-fourth of those with one dependent child cannot afford to pay anything, while 51% could afford \$20 per month.

Employees with two dependent children are split as to what they could spend. Although 27% cannot pay anything, 21% indicate they can pay up to \$70 per month. With three or more dependent children, nearly one-half cannot afford to pay a monthly premium, and yet 15% could pay \$80 a month.

Overall, it is important to point out that about three out of four employees with one or two dependent children and slightly more than one-half of those with three or more children can afford or are willing to pay some amount to help cover the cost of health insurance for their children.

**The Most Employees Can Afford To Pay Per Month To Have Health Insurance Coverage For Their Dependent Children**

*(Among All Employees)*

<b>With 1 dependent child</b>	
\$0	25.6%
\$20 per month	51.2
\$40 per month	14.0
\$60 per month	9.3
<b>With 2 dependent children</b>	
\$0	27.7%
\$30 per month	25.5
\$50 per month	25.5
\$70 per month	21.3
<b>With 3 or more dependent children</b>	
\$0	46.2%
\$40 per month	28.2
\$60 per month	10.3
\$80 per month	15.4

All employees were asked to rate the importance of features of health insurance coverage for dependent children. Choice of plans and/or provider and comprehensive benefits that include preventive care each received the highest importance rating of 4.70. These same features were at the top of the list among employers.

**Mean\* Importance Of Features Of Health Insurance Coverage For Dependent Children**

*(Among All Employees)*

Choice among plans and/or providers	4.70
Comprehensive benefits including preventive care	4.70
Low co-pay	4.61
Low monthly premium for the policy	4.60
Low deductible	4.51

\* Mean rating: 1="Not Important At All"; 5="Very Important"

**Rating Of Importance Of Features Of Health Insurance Coverage For Dependent Children**

*(Among All Employees)*

	Mean	<i>Not Important At All</i>	1	2	3	4	<i>Very Important</i>	5
Choice among plans and/or providers	4.70	—	—	1.4%	5.8%	14.5%	78.3%	—
Comprehensive benefits including preventive care	4.70	—	—	—	7.2	15.9	76.8	—
Low co-pay	4.61	1.4	2.9	7.2	10.1	78.3	—	
Low monthly premium for the policy	4.60	1.5	2.9	7.4	10.3	77.9	—	
Low deductible	4.51	1.4	—	11.6	20.3	66.7	—	

## Employee Profile

Of responding employees, the mean number of years employed at their current job is six years, while the average number of hours worked per week is just over 40 hours.

### Years Employed And Hours Worked Per Week

(Among All Employees)

<b>Years employed</b>	
1 – 2 years	18.8%
3 – 5 years	21.9
6 – 10 years	35.4
11 – 15 years	10.4
16 – 20 years	9.4
21 years or more	4.2
<b>Mean years employed:</b>	<b>6 years</b>
<b>Hours worked per week</b>	
11 – 20 hours/week	1.6%
21 – 30 hours/week	3.1
31 – 40 hours/week	70.3
More than 40 hours/week	25.0
<b>Mean hours worked per week:</b>	<b>41.8 hours</b>

To document the diversity of employee respondents, several demographic variables were collected. There was a general male/female balance among respondents. And, looking at age bands, employees of all ages were sufficiently represented in the groups responding to the survey. Some 39% of responding employees self-report as being White, and nearly 49% and 8% self-report as being Hispanic and Black, respectively.

### Employee Demographics

(Among All Employees)

<b>Gender</b>	
Male	47.7%
Female	50.8
<b>Age Group</b>	
20 – 29 years old	19.2%
30 – 39 years old	43.8
40 – 49 years old	29.2
50 – 59 years old	6.9
<b>Race/Ethnicity</b>	
White	39.2%
Hispanic	48.5
Black/African-American	7.7
Asian	0.8
Other	3.1

# CONCLUSIONS

Overall, this extensive research study has not only added further support to previously conducted research but has helped to further specify the direction of solutions for increasing health insurance coverage for dependent children of California's working uninsured.

As found in earlier research, nearly 30% of employers, do not offer health insurance for their employees. The proportion of employers not offering health insurance increases as size of company decreases. The main reason for many smaller employers not offering health insurance is due to cost burden. Many small firms have indicated they simply cannot afford to pay for health insurance coverage for employees and/or their families.

Data from this present study of small businesses with 50 employees or fewer support earlier findings. Among our sample of responding small businesses, a reported 29% indicated they do not offer health insurance coverage to any of their employees. Also, similar to other findings, a majority of those in the present study not offering health insurance to employees (60%) revealed that cost was "very important" to their decision to not offer such coverage to employees.

Employee data from this study, though limited in its projectionability, do reveal some consistency with findings from previous research as well as employer data collected here. Data from a separate analysis of the 19 employees without insurance for their dependent children presents valuable information and a need for further study to establish more conclusive results. As indicated earlier in this report, all but two individuals in this group indicated they would like to have health insurance coverage for their dependent children but can't afford it. Furthermore, nine of the 10 employees at companies not offering coverage to employees indicated they would accept coverage for their dependent children should the company offer it. To further support previous research, all 19 employees are from an ethnic minority group—18 are Hispanic and one self identifies as Black. Recall findings from other research which indicate that some minority segments of the workforce, particularly Latinos, are less likely to be offered or accept health insurance as compared to other population segments.

Given that many small business owners consider health insurance coverage to be important, as evidenced in the employer focus group sessions, coupled with the finding that cost is a major reason employers do not have health coverage for their employees, it would appear that a key issue is to find workable solutions to help lower or subsidize employer costs for health insurance coverage. Because the solutions asked about in this survey received some interest from businesses, further inspection of these and other possible solutions is recommended.

Employees who cannot afford health insurance for their children, either because it is not offered or is too expensive when offered, will also need financial assistance. Further studies with employees should address possible and preferred financial solutions.

It seems that one workable solution to addressing the issue of uninsured dependent children of working individuals is to increase awareness among employers and employees of programs such as Healthy Families. Learning more about the makeup of employees at companies not offering health insurance coverage to employees may show that these companies employ some individuals that would be eligible for coverage through a program like Healthy Families. Furthermore, working individuals that cannot afford to cover their dependent children may also be eligible for lower priced or subsidized coverage.