Cornell University
College of Human Ecology
Policy Analysis and Management

Informing Health Care Reform Options for New York State

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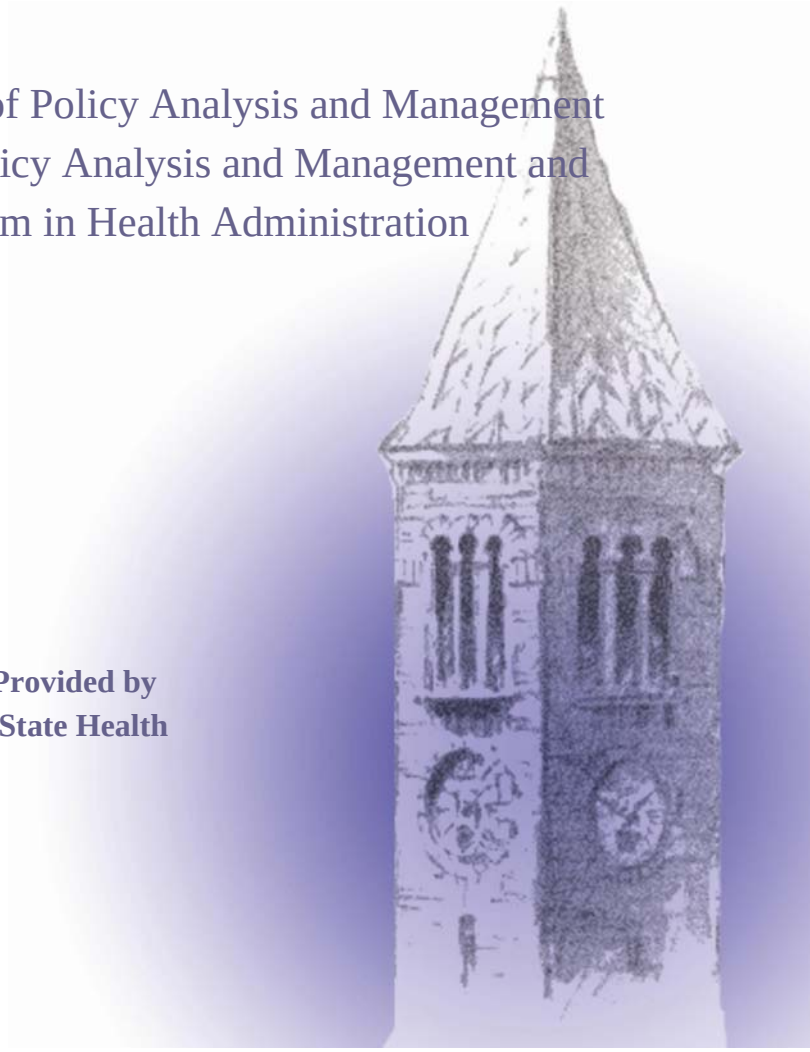

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Final Report

Informing Health Care Reform Options for New York State
NYSHealth Foundation Grant number 2007-2055189

Department of Policy Analysis & Management, Cornell University[i,ii]

Executive Summary:

The goal of this project is to inform analysis of health care reform options for New York. We used telephone surveys and focus groups to assess the views of New York residents and employers on health insurance reform. Research was conducted by Cornell University during the Spring of 2008. The study samples included both upstate and downstate New York residents and employers.
Major findings from our combined quantitative and qualitative analyses are:

New York Residents:

1. **View health insurance and health care costs as extremely or very important issues which should be addressed by New York's government leaders.**
2. **Express high support for expansion of public coverage through existing programs as a means to help reduce the number uninsured.**
3. **Are open to a range of possible new initiatives, but express caution regarding employer mandates, the role of private insurers, the ability to control health care costs, and the role of government bureaucracy. Differences in opinions are frequently associated with political ideology, upstate versus downstate residence, income, age and other demographic characteristics.**
4. **Focus groups expressed a desire for greater explanation of details involved in reform proposals by political leaders.**
5. **Report some willingness to pay (WTP) for reforms reducing the uninsured in New York State through higher taxes.**
   - **More than 60% of respondents indicate willingness to pay at least an additional $50 in annual taxes to reduce the number of uninsured by 25%.**
   - **Findings are similar whether or not questions pertained to reducing uninsurance overall or only among low income households (300 % of the Federal Poverty Level (FPL) or below).**

New York Employers:

1. **Cite high costs as the most common key factor in the decision not to offer health insurance to workers.**
2. **Agree in a majority of cases that responsibility for health insurance rests with employers as well as workers above the poverty level.**
3. **Indicate that they would not stop offering private coverage outright if there was subsidized public coverage available to their low-income workers; if Family Health Plus were open on a subsidized basis to employers for their workers earning less than 400% of the FPL or below, more than 70% of firms- regardless of size- would continue to offer some coverage.**
4. **However, employers also state that expanded availability of public coverage would change the way they provide coverage, for example affecting their decisions about pay raises and eligibility rules for employer sponsored coverage.**

Implications:

1. **Health insurance reform is an important issue among New York residents and they are open to a range of approaches.**
2. **It may be feasible to win support for expanded coverage funded by tax increases.**
3. **However, assisting residents in gaining a better understanding of proposals will be important in winning support.**
4. **Employers indicate they would be likely to continue to offer private coverage even if public coverage expands. However, they also indicate the availability of public coverage could alter how they structure compensation, for example with implications for decisions about health insurance eligibility and pay raises.**
5. **This research is based on surveys conducted in Spring 2008. The opinions of residents and employers may be affected by changes in economic conditions and may have changed since then.**

Final Report

Informing Health Care Reform Options for New York State

NYSHealth Foundation Grant number 2007-2055189

I. Project Goals and Overview:

The goal of this project is to inform analysis of health care reform options for New York. In the current political climate in which many states as well as the presidential candidates are putting forward agendas to reform health care and health insurance, understanding the views of residents and employers is a vital aspect of sound public policy formulation. Prior surveys have been conducted at the national and state levels to assess resident and employer opinions related to health care reform. As examples, the Kaiser Family Foundation[1] as well as news media outlets have conducted polls of residents at the national level, and a state-specific resident poll was conducted in New Jersey by Rutgers University.[2] Employers have been surveyed nationally and in Massachusetts by Kaiser/HRET surveys.[3] In New York, a recent poll by Community Service Society[4] assessed resident opinions about health care reform. But a coordinated inquiry of our scale has not been conducted for New York or other states that we know of. In this report, we combine views on a similar set of issues from residents and employers, from quantitative and qualitative components (surveys and focus groups) to paint a comprehensive picture of New Yorkers' views regarding health care reform options for the state.

The opinions of New York residents were obtained in three telephone surveys conducted by the Cornell Survey Research Institute (SRI). The main survey was part of SRI's 2008 Cornell Empire State Poll (ESP). The ESP is a telephone survey of 800 randomly selected households (400 downstate and 400 upstate); in each household, one adult is randomly selected for interviewing. In this survey, with 800 respondents, in no more than one time in twenty should chance variations in the sample cause the overall ESP 2008 results to vary by more than 3.5 percentage points from the answers that would be obtained if all New York state residents were interviewed.

The ESP household survey was supplemented with two additional random telephone surveys performed by SRI. The fist was a telephone random survey of 300 rural households, all located in upstate New York. The second was a random survey of 100 cell phone-only users state-wide. For purposes of our analysis, "Downstate" is defined as New York, Rockland, Kings, Richmond, Westchester, Suffolk, Queens, Nassau, and Bronx counties. The remaining counties of the state defined as "upstate."

The rationale for our rural survey was to enable separate estimates for rural locations. In 2007, rural residents made up of only 8% of the New York state population.[5] However, they are important to consider because of the special problems faced by this group with access and coverage and the small

[1] http://www.health08.org/polls.cfm contains information about the Kaiser polls. For a link to a Gallup poll, see <http://www.gallup.com/poll/109786/Obama-Holds-Lead-Over-McCain-Top-Issue-Economy.aspx>

[2] See <http://www.cshp.rutgers.edu/Downloads/7530.pdf> for more on the New Jersey poll

[3] Kaiser/HRET. 2007." Employer Health Benefits 2007 Annual Survey". Kaiser Family Foundation and the Health Research and Educational Trust.

[4] See <http://www.cssny.org/pdfs/LCA_CSS_Poll_Results_on_Healthcare_Reform%20_Affordabilty_in_New_York_State_Feb.7.08.pdf>

[5] USDA Economic Research Service, State Fact Sheets: New York, <http://www.ers.usda.gov/Statefacts/NY.HTM> last visited 9/24/08.

number of responses in the ESP for rural residents makes analysis difficult for this group. Cell phone users were surveyed separately because the ESP main and rural surveys are based on land-line exchange numbers and a growing proportion of households use only a cell phone.[6]

A random sample of 475 New York State private employers were also surveyed via telephone by the Cornell Survey Research Institute (SRI). Firms were stratified by the number of workers they employ. The goal of this survey was to gather private employer opinions about the different health insurance reform options and to understand how these opinions relate to employer characteristics. All survey questions were asked at the establishment level (a firm can comprise of one or more establishments).

We conducted a total of eight focus groups in conjunction with our research, four with residents and four with small business owners. We conducted three resident focus groups in upstate NY (Buffalo, Ithaca and Rochester) and one downstate (Jamaica) to deepen understanding of the thinking of New York residents about: 1) the state's current health insurance system; 2) current reform proposals; and 3) participants' own ideas for reform.[7] Three business focus groups were held in upstate NY (Buffalo, Ithaca and Rochester) and one downstate (Brooklyn), all with owners of small firms (with 25 or fewer employees) to gain insight into owner's perspectives. All focus groups were conducted between March 5 and May 15, 2008.

Responses from telephone surveys suggest that the general opinion of New York residents is that public coverage should be expanded to reduce the number of uninsured residents, and residents report some willingness to pay higher taxes for such reforms. Residents view health care costs and the availability of health insurance as very important issues that should be addressed by New York's government leaders. Although they expressed caution regarding employer mandates, residents are open to a range of possible solutions. Some common concerns with solutions relate to the role of government bureaucracy and private insurers.

The majority of employers in New York agree that responsibility for providing health insurance rests in part upon employers and in part upon workers who earn incomes above the poverty line. Those employers that do not offer health insurance cite the high cost as the key factor in the decision. Employers indicated that they would not stop offering coverage outright if a subsidized public plan existed for some portion of their workers, but that the availability of such a subsidized plan would change the way their compensation decisions, for example affecting their decisions about pay raises and eligibility rules for employer sponsored coverage.

A summary of the analysis supporting these findings is presented below. Interested readers are referred to the technical appendices of this report for information on data and methods and a detailed discussion of findings.

[6] All graphs in this final report are based on findings from the main ESP; results from the rural and cell phone surveys are noted where they are of special interest. Appendix 1 contains analysis from all three surveys separately.

[7] All focus groups were conducted between March 5, 2008 and May 15, 2008. Discussions lasted about 90 minutes each. This report highlights findings from analysis of transcripts using NVivo 8 software. Complete copies of the survey questionnaires are provided in Technical Appendix 1 & 2. Details on focus groups are provided in Technical Appendix 3.

II. Findings:

Resident Perspectives:

Findings reported in this section are based on data from our three telephone surveys (the Cornell Survey Research Institute (SRI) 2008 Cornell Empire State Poll (ESP, our rural and cell phone-only user surveys) and our resident focus groups.

As indicated in Technical Appendix 1 of the final report, there are some important differences between the main ESP sample and the samples for our rural and cell phone surveys. On average, rural respondents tend to be older, more likely to be married and lower income and are less likely to be Black or Hispanic. In the case of the cell phone survey, compared to the ESP, cell phone-only users tend to be younger, less likely to be married and more likely to have some college education. In addition, cell-phone users' average income is lower than in the ESP, but above the average income for the rural sample.

Our analysis focuses on four major areas: 1) The Importance of Health Care and Insurance Issues to Residents; 2) Resident Views on Insurance Reform: 3) Resident Support for Specific Reforms; and 4) Resident Willingness-to-Pay for Reform.

All figures for residents use data drawn from our main EPS survey and report sample means. However, where findings are of special interest, we also report findings for our other surveys and summarize results of multivariate regression analyses examining relationships between individuals' responses and their characteristics. Full regression results are reported in Technical Appendix 1 of the final report.

Importance of Health care and Insurance Issues:

New York residents view health insurance and health care costs as extremely or very important issues which should be addressed by New York's government leaders.

As shown in Figure 1a, nearly 93% of residents interviewed thought it was extremely (59%) or very important (33%) that New York's government leaders work to reduce the cost of health care and health insurance; less than 2% thought it was not important (see Figure 1a).

Likewise, as shown in Figure 1b, 52% thought it was extremely important and 37% very important for New York's government leaders to work to reduce the number of New Yorkers without health insurance

Figure 1. Importance of Health Care and Insurance Issues

Fig. 1a. Important to Work on Reducing Costs Healthcare & Insurance

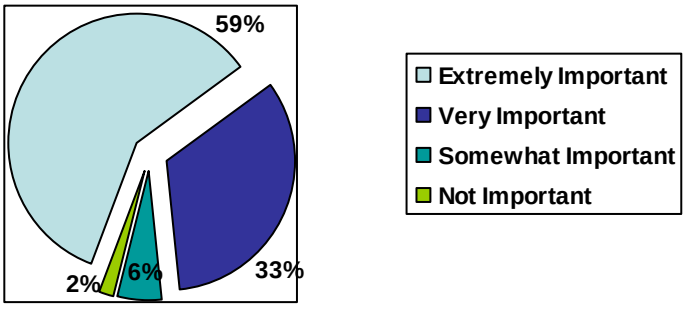
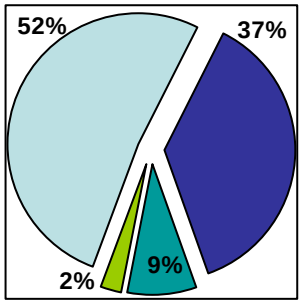


Fig. 1b. Important to Work on Reducing Number Uninsured



In focus groups, concerns about cost and obtaining adequate coverage dominate discussions. Key themes include the high and rising cost of health care and health insurance as a barrier to coverage, the difficulty of finding good coverage, and the inadequacies of existing coverage. For example, participants commented:

> "I had insurance and I lost it because I couldn't make the payments. It's becoming overwhelming to the point where I don't even want to pursue it anymore, I just want to try to stay healthy " (Ithaca).

> "The costs have really skyrocketed. I pay for my own health insurance, and it has become almost prohibitively expensive. For the first time, it's driven me into a very high-deductible policy because our family has been reasonably healthy and would rather just pay the bills out of pocket rather than pay the insurance company." (Buffalo)

> "It doesn't seem to me that with the increased amounts of money that everyone's paying for health insurance, that we're getting more benefits; in fact, in some cases, we're getting less benefits, less days in the hospital, higher co-pays and things like that for the same things you got before." (Buffalo)

Multivariate regressions are reported in Technical Appendix 1 of the final report using survey data from our main survey and our rural and cell phone surveys. Findings from our main survey indicate that statewide, moderately educated (those with high school completion, relative to those with college completion or more) individuals are more likely to view health insurance and rising costs as important issues, while self-identified conservatives,[8] males and residents of upstate New York are less likely to consider these issues important. Uninsured individuals are more likely to consider coverage an important issue, but are not more likely to be concerned about costs, relative to the insured population.

Resident Views on Insurance Reform:

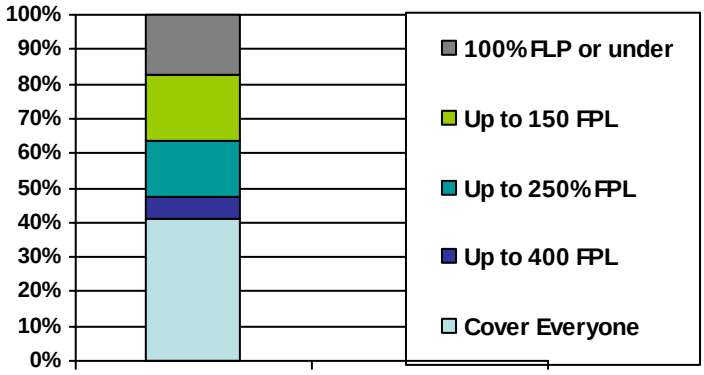
New York residents express high support for expansion of public coverage as a means to reduce the number of uninsured.

We asked about support for expanded public coverage (e.g. through Medicaid or the SCHIP Family/ Child Health Plus program) financed by tax revenue to reduce the number of uninsured with incomes up to some upper limit (see Figure 2). Some 82% of residents favored some form of expanded coverage for families above 100 percent of the Federal Poverty Level (FPL). Almost 41% of residents

[8] Comparison groups are self-identified moderate/middle-of-the-road and liberal.

favored using this strategy for everyone regardless of income level, 7% favored coverage up to 400 percent of the Federal Poverty Level (FPL), 16% favored coverage up to 250 percent of the FPL and 19% favored it up to 150 percent. Only 18% felt coverage should be limited to families at 100 percent of the FPL or less. Support was lower in rural areas; only 29% of rural residents favored coverage for all. Almost 23% of rural residents favored coverage only at or below 100 percent of the FPL.

Figure 2. Support for Public Coverage up to Selected Income limits (% Federal Poverty Level)



Most focus group participants supported incremental expansion of existing public programs as a step in the right direction towards universal health care coverage, and agreed the current income eligibility limits are too low. According to one:

> "I think we really need to look at the requirements that make you eligible for public programs. Basically, my understanding now is you really gotta be destitute. You've got to give it all up if you want to get something." (Ithaca)

Another said:

> "I would increase [income eligibility] to four times the Federal Poverty Level" (Rochester)

In regressions analyses of survey data reported in Technical Appendix 1 of the final report, self-reported liberals and the uninsured were more likely to favor expanding public coverage for low income individuals, whereas support was less likely among males.

Resident Support for Specific Reforms:

Residents were asked if they favored or opposed four types of reform proposals to reduce the number of uninsured: *Employer Mandates, Shared Responsibility with Required Coverage, High Deductible Plans,* and *Single Payer* (see Figure 3).

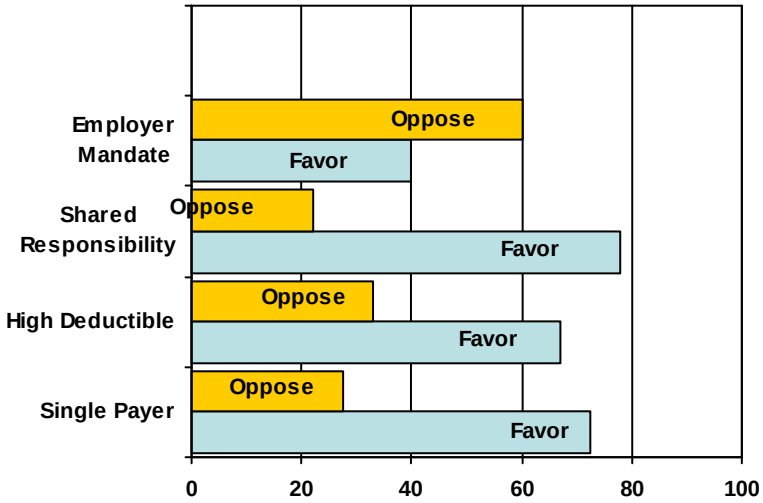
Specifically, the *Employer Mandate* question asked residents if they would favor government mandating larger businesses (for example, a firm with over 25 employees) to provide health insurance to their workers even if it meant that some businesses not currently providing coverage would have to cut jobs to pay for other workers' health insurance.[9] The *Shared Responsibility* question asked about support for a model in which everyone would be required to have health insurance and the cost would be shared, with firms required to provide coverage for their employees, employees required to pay part

[9] For the shared responsibility model, we asked if respondents favor strongly/somewhat, or oppose strongly/somewhat. For all other types of reform, we simply asked if they favor or oppose a given reform. In Figure 3, we collapse responses for the shared responsibility model into these two categories to compare these responses to the responses for the other models.

of the premium, and government tax revenue used to cover poor people not covered through employment. Our *High Deductible Plan* question asked about support for offering plans that, compared to traditional plans, have larger out-of-pocket deductibles ($1,000 for individuals, $2,000 for families) before insurance coverage begins, but permit 25 to 40 percent in annual premium savings to consumers. Whether enrollment in high deductible plans would be voluntary or mandatory was not specified. The *Single Payer* question begins by noting that a single payer system, Medicare, already exists for the elderly, and then asks about support for setting up a government-run, taxpayer-funded Medicare-like plan for everyone. (See Technical Appendix 1 of the final report for the complete text of questions).

Support of ***Employer Mandates*** by New Yorkers was weak. Almost 60% of residents in the main ESP sample opposed them, although this pattern reversed for our sample of cell phone users, who, by a small margin (53%) supported such mandates.

Figure 3: Resident Support for Specific Reform



In focus groups, an employer mandate was rejected as a burden on residents and businesses, who would simply find ways to circumvent the system. One participant pointed out:

> "[A company] could run by hiring sub-contractors. What would stop them? They have people employed, but not on their books… and they could hire these people for a year, 2 years." (Rochester)

There was broad support for the other types of reform proposals to cover the uninsured. Some 77% of residents in the main sample strongly or somewhat favored a ***Shared Responsibility*** model mandating coverage for everyone, with employers being required to provide coverage for employees, employees paying part of the premium, and the government using tax revenue to cover the poor not insured through an employer. Support was somewhat weaker in the rural sample (65% strongly or somewhat favored shared responsibility), and among cell phone users (73% strongly or somewhat favored it). However, when this concept was investigated in more depth in focus groups, most participants reject Shared Responsibility as generating more revenues for insurers and increasing taxes.

In particular, an Individual Mandate is strongly rejected by focus group participants as violating freedom of choice and failing to solve larger system issues such as excessive costs. Participants said:

> "I don't like the government telling us what we have to do. If people choose not to have it, then that's their choice." (Buffalo)

> "To require everyone to buy a for-profit insurance when a lot of it is being lost on administrative costs and so on, it's a very bad idea." (Ithaca)

> "There's nothing that says in this individual mandate that there's a cap on what they can charge you." (Ithaca)

As shown in Figure 3, 67% of New York residents favor offering ***High Deductible Plans*** as an option to reduce the number of uninsured. Support was 71% among cell phone users. As noted, the question as asked in the survey did not specify if enrollment in such plans would be voluntary or mandatory. In focus groups, High Deductible plans win acceptance only if presented as an option on a wider menu. Participants view them as reducing appropriate use of routine general care but may be of value if combined with HSA's. As one participant noted:

> "If you have a Health Savings Plan, which is a government program, sort of like a Section 125, you can save some of it if you don't use it."(Buffalo)

There was also broad support among survey responders for a ***Single Payer*** model to cover the uninsured. Some 72% of the main sample favored a Medicare-like system for all and support was similar among cell phone users. We also asked individuals who opposed the single payer option for their reasons in our main and cell phone surveys. Issues identified by respondents include mistrust of government administrative efficiency, concerns about a drop in quality of care, and worries about increased taxes. In addition, some respondents also questioned the desirability of providing universal coverage, for example for individuals who are not working by choice.

Most participants in focus groups express support for a Single Payer model. However, responders voice concerns about the ability of government to successfully create a single payer system addressing their worries. They do not always find their concerns easy to articulate, but objections to a publicly-run approach (with comparisons made to Medicare, as well as the systems in Canada and Europe) include coverage mandates, loss of provider choice, health care rationing and higher taxes. For example, one responder comments:

> "In Canada, if you needed a heart bypass operation or something, you waited your turn, and you didn't necessarily go the next week, even if you were in pretty big need. You waited your turn, and those who could afford it well enough crossed the border down to the States and paid big bucks to get what they wanted when they wanted it."

The concept of universal health care coverage evokes varying degrees of support. Many participants support access to care for all, similar to our current public school educational system.

> "In one of the most progressive nations on earth, every one of our people should have access to health care" (Buffalo)

But some participants also see a need to limit coverage to control costs:

> "We do not in this country or any country have enough money to promise anyone that you can have any medical coverage that you need or want for as long as you're alive. You look at medical costs, and 80% of what they spend is spent in the last 2 or 3 months of life, and it's absurd." (Rochester)

Some also worry that if New York State acts on its own, it would attract the uninsured from surrounding states and lose high quality doctors:

> "I would be concerned that there would be doctors who would leave New York because they didn't pay as much as they're used to making. Certainly in Manhattan where they're used to making big bucks."

In regression analysis reported in Technical Appendix 1 of the final report, we examined how support for options varied by resident characteristics. Findings indicate that there were important differences in who supported different options. Self reported conservatives were more likely to oppose a ***Shared Responsibility*** model. In contrast, self-reported liberals were more likely to oppose ***High Deductible Plans.*** In the case of a ***Single Payer*** Medicare-like model, self-reported liberals were more likely to support this model and self-reported conservatives were more likely to oppose it. Support was also more likely from high school graduates, while seniors, and families with children were more likely to be in opposition. In the case of **Employer Mandates,** self-reported liberals and married individuals were more likely to favor them, as were individuals who had completed some college (but not finished college), relative to those with college completion or more, while self-reported conservatives were more likely to oppose them.

Willingness-to-Pay:

New York residents report some willingness to pay (WTP) for reforms reducing the uninsured through higher taxes. More than 4/5 report willingness to pay something at all; more than 3/5 report willingness to pay at least $50 a year to partially reduce uninsurance.

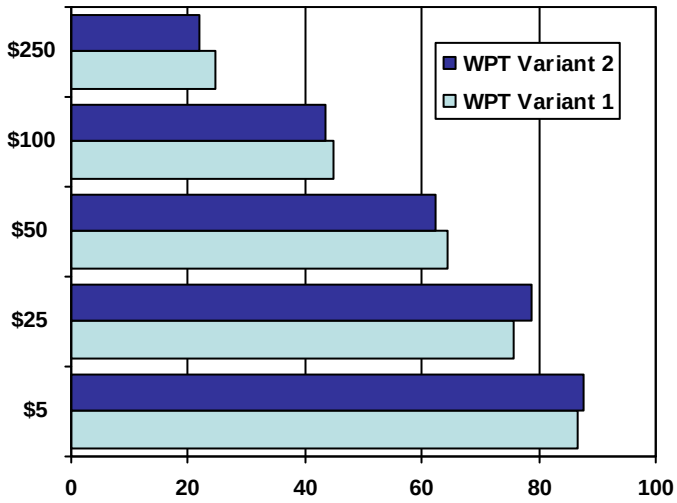
The success of any public reforms depends critically on the willingness of residents to pay for them. We asked residents a series questions about their willingness-to-pay (WTP) additional taxes to reduce the number of uninsured in New York State by a quarter.[10] In these questions, we started out at a level of payment of $50, which is equal to 25% of the minimum estimated average per capita cost of achieving near universal coverage (98%) in New York presented in the United Hospital Fund (UHF)'s "Blueprint" report. From $50, we then moved to successively higher ($100, $250) or lower ($25, $5) levels depending on residents' answers. Half of the residents were told that the proposed reform would reduce uninsurance among families earning less than 300% of the FPL. We refer to results obtained from the sample asked this wording of the question as Variant 2 . The other half were not told what income levels would be targeted, and we refer to results from the sample asked this wording of the question as Variant 1 (see Figure 4).

Findings indicate that regardless of the variant of the question, WTP is close to 87% at $5.[11] Support declines as the tax increases. However, WTP at $50 is still 64% for Variant 1 and 62% for Variant 2. This suggests that for the majority of residents, WTP for reducing uninsurance by 25% is in the range relevant to projected costs in the "Blueprint". Moreover, about 44% of New Yorkers polled are willing to pay $100 or more under both variants, although these shares fall respectively to 25% and 22% at $250. Results for the rural sample are similar. Results for the cell phone survey indicate higher willingness to pay under Variant 2 (targeting coverage specifically for families at or below the 300% FPL) than Variant 1.

[10] Specifically, WTP survey questions asked respondents about voting on a new voter referendum in the state for a unspecified generic health reform that would reduce uninsurance in the state by a quarter. Would they pay a given amount in additional taxes? Possible responses were vote for, vote against, would not vote, do not know or refuse. See Technical Appendix 1 for full text of questions.

[11] To evaluate WTP, we calculate the percentage of the total (weighted) number of residents indicating willingness to vote for additional taxes equal or above a stated amount divided by the total number asked the reference group question (e.g. to evaluate willingness to pay $5, we calculate the number of residents willing to pay $50 plus the number who wouldn't pay $50, but would pay $25, plus the number who wouldn't to pay $25, but would pay $5, and divide by the total number asked the $50 reference question).

Figure 4. Percent Residents Willing to Pay Taxes At Least to Stated Amount



Technical Appendix 1 of the final report shows estimated elasticities for WTP with respect to individual social and economic characteristics. For estimates using combined data for the two variants of our WTP question, we find that compared to self-reported moderates/middle-of-the-road, WTP is 39 % higher for self-reported liberals and 27% lower for self-reported conservatives, while it is 24 % lower for upstate residents. We also find lower WTP for blacks (-36% compared to the "other" race category where there is no significant difference between whites and this group). Compared to college graduates, WTP is -45% for high school dropouts and – 23% for those with some college, while males are willing to pay 24% more compared to females. We do not, however, find that WTP is associated with differences in income controlling for other co-variants (the coefficient on income is a 1% change in WTP for a $10,000 change in income and is not significant at conventional levels).

Resident generated solutions:

In focus groups, we asked residents to design their ideal health insurance solution. Criticisms of the current system include unfairness in setting coverage based on employment and the layers of paper work and cost added by a for-profit provider system.

Participants' own ideas for reform of the current system include:

- Ideas for changes in system organization: structuring the health care system like a utility; allowing individuals and small business owners to pool for better rates and choices; setting up an optional state-run health plan for everyone to see how it competes.

- Ideas for making coverage affordable: creating incentives in health care so that fewer costly interventions are needed; encouraging small business owners to provide coverage by offering generous tax credits; allowing more flexible spending plans and easier use of HSA's; raising the minimum wage so people can afford health care coverage; allowing young adults to stay on parents' insurance until age 26.

- Ideas to promote awareness and prevention: providing more outreach, particularly targeting the high school and college age population; setting up a government tiered rating system to help residents shop for the best value; a pool to fund alternative approaches to care that might have preventive value.

- Education of New Yorkers about health insurance issues:

> "I think they should get some money from somewhere, put a grant program out there for New York State high school students to learn about all the different things in health class about insurance and things that you really need to know when you get out of high school." (Buffalo)

Employer Perspectives:

In the Spring of 2008 we assessed the perspectives of New York private employers on health reform issues using a stratified random telephone survey and focus groups. Analysis focuses on the following major areas: 1) Whether Firms Offered Insurance, And If Not, Why; 2) Employer Attitudes About Health Insurance Reform; 3) Employer's Possible Responses to Subsidized or Free Public Insurance Coverage.

Insurance Coverage: Health insurance offerings vary substantially by firm size. For all firm sizes, establishments that do not offer health insurance report high premiums are a key factor in their decision.

Over 96% of establishments in firms with more than 50 employees offer health insurance to their employees. However, the share falls to 88% for medium size firms (10-49 employees) and to 45% for small firms (9 or fewer workers). Among those establishments not offering insurance, high premiums were uniformly described as a very important reason (over 70% in all cases) relative to other causes (employee turnover, alternative coverage availability for workers, ease of attracting workers without offering benefits, and illness of employees) which were not rated as very important on average. Small firm-size establishments also reported that availability of coverage elsewhere was a very or somewhat important factor (54% combined), as was the ability to attract good employees without offering insurance (50% combined).

In focus groups, small firm owners mention high and rising costs as the main reason for not offering benefits. One small firm owner said:

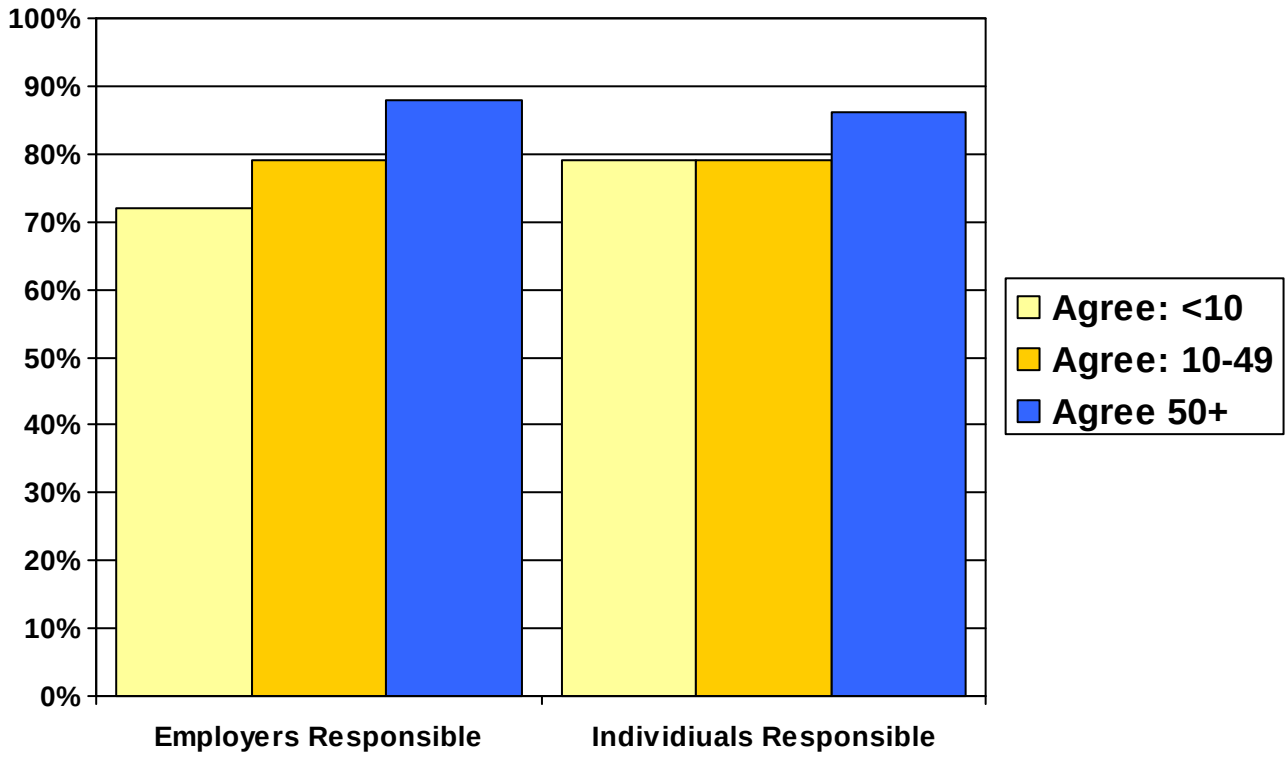
> "It's not that employers don't want to pay. We just need to keep it under control. It's my most out-of-control cost. I can budget in a 10% increase, I can budget in a 15%. We have 38% increase. What do you do? You scramble, you start looking at whatever other options are out there which takes up so much more time. So it's not just the cost of the increase, it's the cost of the time to investigate and figure out, OK, how am I going to give my employees insurance?" (Ithaca)

Employer Attitudes About Health Insurance Reform: New York employers of all firm sizes agree that employers *and* individuals bear some responsibility for paying for health insurance. They are more divided on solely taxing employers to pay for this coverage.

Responsibility for purchasing insurance:

Employers of all firm sizes agree strongly or somewhat strongly that they bear some responsibility for providing health insurance to their workers, ranging from 72% for small firms to 79% for medium firms and 88% for large firms. Employers also agree that individuals above the poverty level bear some responsibility for buying insurance, ranging from 79% for small and medium firms to 87% for large firms. (See Figure 5)

Figure 5: Views on Responsibility Insurance by Firm Size



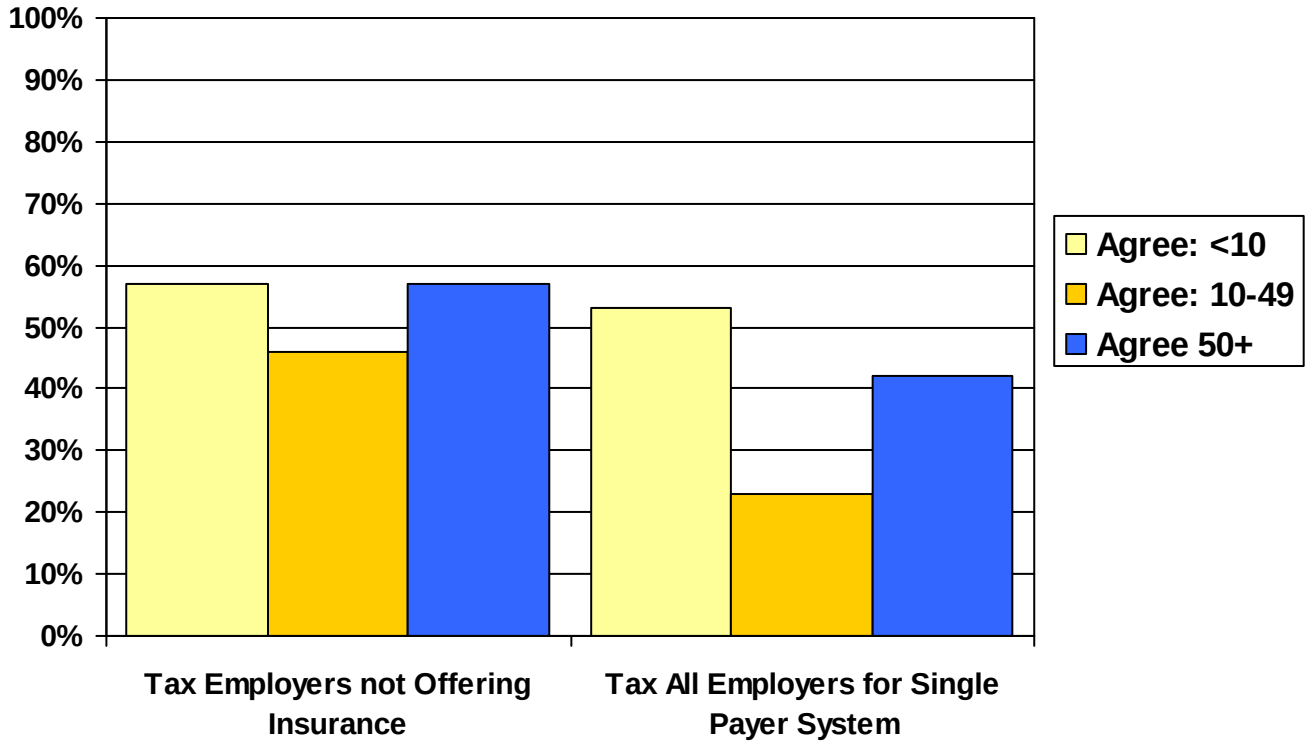
In multivariate regression models reported in Technical Appendix 2 of the final report, among small firms, employers in transportation related activities were more likely to disagree that firms had a responsibility for insurance where the reference category was firms in service industries. Among medium size firms, agreement was much more likely if firms offered insurance (62 percentage points (ppts)) or were in transportation (34 ppts) and less likely if firms were in manufacturing (28 ppts), or financial services and insurance (27 ppts). Among large firms, agreement was less likely for firms in agriculture (89 ppts) and financial services and insurance (23 ppts).

Taxing Employers:

Employers were asked for their views on two options. The first option was a model in which firms with 10 or more employees who did not offer insurance are required to pay an 8% payroll tax used to help finance coverage for workers without coverage. The second option was a model in which all firms with 10 or more workers pay an 8% payroll tax in return for the state providing health insurance to all workers, resulting in a "single payer" system. This 8% level was chosen because it was in the range of

what has been commonly considered in discussions about employer mandates,[12] but was still much lower than the figure that was featured in a recent proposal considered in New York State in 2006, a charge of $3 per hour per worker that would amount to a tax of 42% for workers at the minimum wage of $7.15.[13] Some 57% of small-firm establishments, 46% of medium-firm establishments and 57% of large firm establishments strongly or somewhat agree that non-offering firms with 10 or more employees should be taxed 8% of payroll. Support was lower for taxing all firms with 10 or more employees in exchange for a single payer system. Among medium firm establishments, only 33% agreed, while 53% of small firms and 42% of large firms supported taxing all firms with 10 or more employees. (See Figure 6).

Figure 6: Views on Taxation of Employers ≥ 10 Workers by Firm Size: Strongly/ Somewhat Agree



In one focus group, a small firm owner commented:

> **"I think everyone would agree here that doing business, especially for small businesses in New York State is very tax burdening. To do business in New York State compared to other states… imposing another responsibility like this would just add financial pressure on us, especially as a small business." (Ithaca)**

In multivariate regression models reported in Technical Appendix 2 of the final report, small firms were less likely to agree employers not offering insurance should be taxed if they had a high proportion

[12] Blumberg, Linda. 2008. "Comment on "Who Gets What From Employer Pay or Play Mandates" Risk Management and Insurance Review, v11, issue1p.103-107.

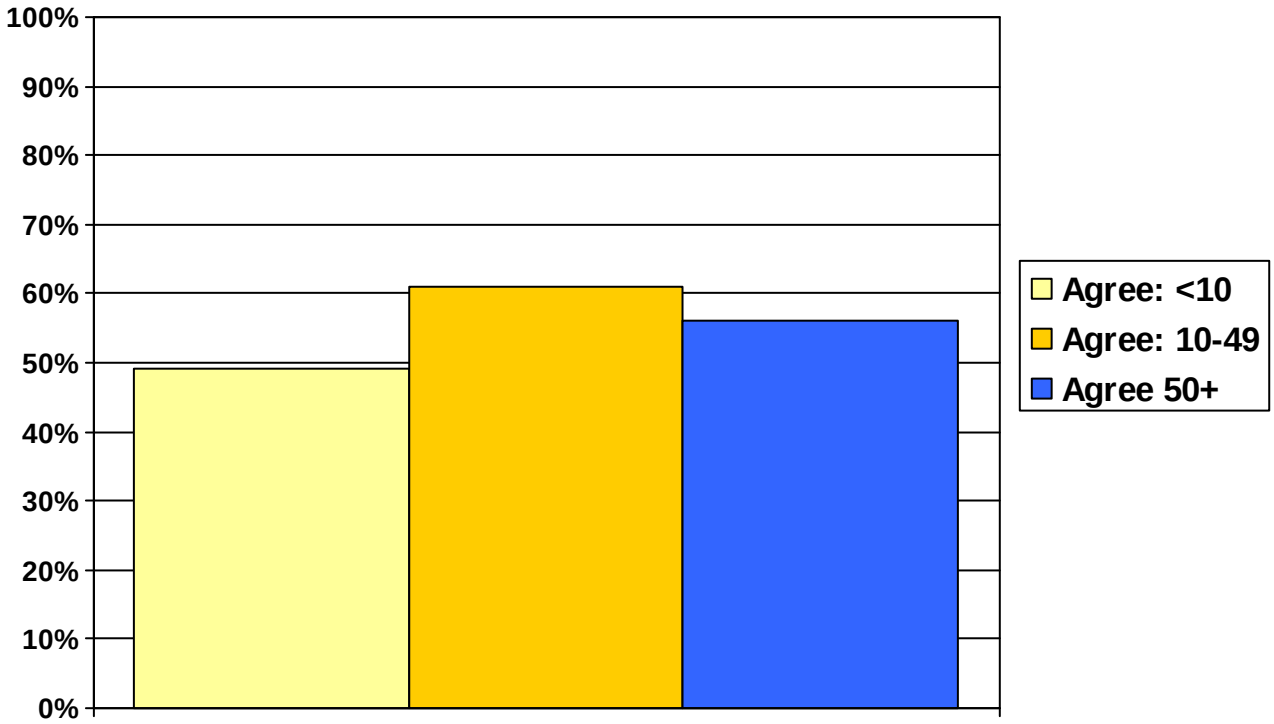
[13] New York State Legislature. 2006. (A 10583), Obtained from <http://assembly.state.ny.us/leg/?bn=A10583&sh=t>, Summer and Fall 2006.

of low wage workers and if they were in transportation, trade or finance and insurance compared to service firms. Those in medium size firms were more likely to agree if they currently offered employees insurance and less likely to agree if they were in mining and construction or trade or located upstate. Among large firms, agreement was less likely for firms upstate. Agreement for taxing all firms and offering a single payer scheme showed no statistically significant relationships with any of the included variables for small or medium firms. Large firms were very slightly less likely to agree if they had a high proportion of high wage workers.

<u>Employer Responses to Subsidized or Free Public Insurance Coverage:</u> Employers were also divided about their possible responses to subsidies for covering low income workers or a free public program for these workers.

Employers were asked if they would offer coverage (continue to or consider starting) at all if employees whose income is less than 400% FPL could be enrolled in "Family Health Plus" upon payment of a heavily subsidized contribution by the employer. Almost half (49%) of small-size firms, 61% of medium firms, and 56% of large firms agreed strongly or somewhat that they would offer coverage if this happened. (See Figure 7)

Figure 7: Agree Would Participate in Subsidized Plan



In a second question, employers were asked about their possible responses if there was legislation passed enabling people at less than 300% FPL to obtain free insurance.[14] Some 72% of small firm establishments, 78% of medium firm establishments, and 81% of large firm establishments said they would not reduce coverage. However, 53% of small firms, 63% of medium firms, and 52% of large

[14] Note that this question is different in nature from the previous question in substance and in the level of income that is used as the reference point.

firm establishments said such a program would change the way they ran their insurance program. Close to a third also said it would affect decisions about giving raises to workers near the income threshold, and that they would change their eligibility rules for health insurance. (See Technical Appendix 2 of the final report for further details).

Small firm owner focus groups also reveal concerns about the scope of quality of coverage under public programs. As one small firm owner said:

> "Nobody seems to want to participate with those. I mean, who at this table would want to say, I want to just opt out of my private-paid plan for Medicaid? Last I understood, there's some pretty stringent limitations under the public plans." (Rochester)

Multivariate regression models reported in Technical Appendix 2 of the final report indicate that small firm employers were less likely to say they would participate in a publicly subsidized plan if they were in the transportation industry, while medium size firms were less likely to say they would participate if they were in the trade industry or located upstate, and large firms were more likely to participate if they were in trade. Findings regarding possible changes in benefit design were mixed. For example, among small firms, those upstate are more likely to change to whom they offer health insurance if public health insurance expands. Among medium and large firms there are substantial industry differences in whether employers will react to public health insurance expansions.

III. Discussion:

Based on our findings, New Yorkers place health care costs and lack of insurance coverage high on their list of concerns for policy makers to address. Moreover, there is a high level of support for expanding public health insurance eligibility through existing programs.

New York residents support a range of policy options for increasing coverage that range from greater use of high deductible insurance plans to a single payer option. A large majority are also willing to pay at least something in additional taxes to cover the uninsured.

The magnitude of willingness to pay among New Yorkers is, however, less than would be required to support their stated desire for expanding public insurance programs. For example, 41% of residents wished to expand eligibility for public insurance regardless of income. This is likely to require more than the maximum amount asked in the willingness to pay questions. But only about a quarter of respondents were willing to pay $250 (the highest amount we asked about) in taxes per year for to reduce the number of currently uninsured by 25%.

Among employers, health insurance coverage in New York varies sharply with firm size as it does throughout the nation. Among those firms without coverage, employers most commonly cite high costs as the most important factor in the decision not to offer health insurance to workers.

A majority of employers agree that responsibility for health insurance rests with employers as well as workers above the poverty level. The degree of agreement varied with firm size, whether firms offered insurance, and industry. Employers were roughly evenly divided on taxing firms not offering insurance with 10 or more workers to finance public coverage of uninsured workers. There was substantially

lower agreement on using a payroll taxes to finance a single payer system, especially among medium size employers (10 to 49 workers).

A majority of firms indicate that they would offer or continue to offer private coverage if there was subsidized public coverage. However, a substantial share of firms also indicated they might make changes in benefit design in response to the availability of such a program. Important factors affecting responses included firm size and industry, location (upstate/downstate) and share of low wage workers.

These findings have a range of policy implications. As of Spring 2008, findings indicate that health insurance reform was an important action item for New Yorkers and accordingly reform efforts could have substantial support. Findings further suggest New Yorkers are open to a range of approaches (e.g. there was broad support for both a shared responsibility model and a single payer model, although not employer mandates). Moreover, willingness to pay findings suggest there could be broad support for tax increases to expanded coverage at least partially, as over 60% of New York residents indicated a willingness to pay $50 or more for a plan reducing the number of uninsured by 25%. At the same time, however, findings suggest the complex nature of the issues could be a barrier to reform. Focus groups indicate that New Yorkers have many questions about how reforms might work and their implications. This suggests assisting residents in better understanding policy options and their pros and cons will be important for moving reform efforts forward.

Findings from employers indicate proposals to tax firms to pay for coverage are likely to meet with mixed responses. Employers' answers to questions about their possible responses to expanding public coverage have several implications. Findings suggest that expanding public coverage to more low-income workers would not likely cause employers to drop coverage outright for all their workers. At the same time, findings suggest there could still be significant implications for behavior. Responses indicate employers would be likely to alter how they do business. For example, responses suggest that there could be changes in eligibility criteria and how employers make decisions about pay raises. These kinds of responses could have indirect implications for coverage as well as worker welfare. This suggests that it is important to carefully consider the likely consequences of legislation on firm behavior across a range dimensions and not simply whether they offer any health insurance coverage.

Finally, it is important to note that this research was conducted in the Spring of 2008 and reflects economic conditions at this time. Subsequently, there have been substantial changes in the economic environment in New York and nationally. Changes in the economy could have important implications on the opinions of residents and employers and our findings need to be evaluated with this in mind.

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