

Small Business Engagement in the SHOP

The Environment for Developing the Illinois Health Insurance Exchange for Small Business

A Study conducted for the Illinois Department of Insurance by the
Center for Employee Health Studies,
Division of Health Policy and Administration
School of Public Health
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Table of Contents

Overview	1
Objectives of the Survey	1
Objectives of the Focus Groups	2
Opportunity for the SHOP	3
The Survey Methodology	3
Findings Bearing on Methodology	4
Current Practices	5
The Knowledge Baseline	5
Prevalence: Who Offers Coverage and What Types?	6
Premiums: Prevalence and Employer Subsidization.....	7
Acquisition and Management: How Do You Shop and Manage Your Health Insurance?	9
What's Important?.....	11
What is Important to Small Businesses?.....	11
What are your problems in providing health insurance today?	12
Preferences and Future Environment	17
Services the SHOP Could Provide and Their Importance.....	17
Using the Likelihood-of-Use Responses to Estimate Take-Up of the SHOP	20
Focus Groups: A Small Business Perspective.....	21
Focus Groups Summary and Implications	23
Major Focus Groups Themes	25
Analysis of Comments and Observations	27

List of Figures

- Figure 1 How much do you know about the proposed Health Insurance Exchange for small Business? 5
- Figure 2 Who Offers Health Insurance? 6
- Figure 3 What Kind of Insurance Plan Do You Offer? 6
- Figure 4 What Percent of the Premium Do You Cover for the Employee? 7
- Figure 5 How Much Do You Spend on the Monthly Premium Per Employee? 7
- Figure 6 Can the Employee Purchase Coverage for Dependents? 8
- Figure 7 What Percent of Family Premium Do You Cover? 8
- Figure 8 How Much Do You Spend on the Monthly Family Premium? 9
- Figure 9 How Do You Shop for the Insurance? 10
- Figure 10 Who Answers Enrolled Employee Coverage/Claims Questions? 10
- Figure 11 How Much Value Does Your Broker or Agent Bring to Your Insurance Purchasing Process?. 11
- Figure 12 Price 12
- Figure 13 Which Two are Most Important? 13
- Figure 14 Do You Currently Take Advantage of the Small Employer Tax Credit? (1 -25)..... 14
- Figure 15 How Important is Access to Tax Credits? 14
- Figure 16 Making Health Insurance Affordable for You to Provide 15
- Figure 17 Making the Insurance Purchase Process Easier 15
- Figure 18 Enhance Your Ability to Attract and Retain Employees 16
- Figure C.1 Find Clear Information about Your Health Insurance Options 47
- Figure C.2 Select from Different Benefit Plan Designs 47
- Figure C.3 Determine Which Insurance Plans Provide the Best Geographic Provider Network Match .. 48
- Figure C.4 Be Guided Through the Selection Process 48
- Figure C.5 Calculate the Premium Cost to Cover Your Employees 49
- Figure C.6 Calculate the Financial Penalties of Not Covering Employees 49
- Figure C.7 Determine Availability of Benefits Not Mandated..... 50
- Figure C.8 Determine the Costs of Benefits Not Mandated 50
- Figure C.9 Have the Exchange Combine Your Full Premium, Bill You and Pay Plans..... 51
- Figure C.10 Have the Exchange Answer Your Employees' Benefits Questions 51
- Figure C.11 Access a Directory of Brokers and Advisors 52
- Figure C.12 Be Able to Make Selections Directly Through the Exchange 52

List of Tables

Table 1	Sampling Frame	3
Table 2	Firms Offering Coverage by Size	4
Table 3	Affirmative Likelihood to Use Services	18
Table 4	Likely Use of SHOP for Purchasing by Broker Value	19
Table 5	Likely Use of SHOP for Answering Employees' Benefits Question by Broker Value	19
Table 6	Estimate of Employees in Small Businesses Who Will Use SHOP	20
Table 7	Estimate of Newly Covered Employees in Small Businesses Who Will Use SHOP	21
Table A.1	Number of Cases Purchased by Stratum and Sample Order	33
Table A.2	Sample setup by Replicate and Stratum	37
Table A.3	Cases setup and Completed by Initial and Confirmed Stratum	38
Table A.4	Final Disposition of Sample	39
Table A.5	Final Sample Numbers and Rates	40
Table A.6	Refusal Conversion Rates: Overall and by Geography	41
Table A.7	Number of Businesses, Number of Completes, and Margin of Area by Sampled Strata	44
Table C.1	Simple Ranking of SHOP Potential Services by Likelihood of Use	53

Overview of the Study

This report is on Small Business in Illinois and its potential engagement in the Small Business Health Options Program (SHOP), the Health Insurance Exchange being developed by the State of Illinois to promote and facilitate the provision of health coverage by small businesses. The SHOP will be established in 2014 under the Affordable Care Act (ACA). The study was commissioned by the Illinois Department of Insurance (DOI) and funded through a grant provided by the United States Department of Health and Human Services (HHS). The Study was conducted by the Center for Employee Health Studies within the School of Public Health at the University of Illinois at Chicago (UIC). The study is based on a substantive telephone survey of the owners of small businesses in Illinois, supplemented by a small set of focus groups. The survey of small businesses was conducted by the Survey Research Laboratory (SRL) at UIC.

The study provides information to assist DOI and the Illinois General Assembly in the planning and development of the SHOP. A brief overview of the study and its objectives will help readers to more easily understand and maximize its value. A brief description of methodology is in the reporting of both the survey and focus groups, but the full technical explanations are provided in the appendices. The appendices follow in the sequence presented in the report.

The survey captures the state of the current environment and provides a baseline for perceptions and participation in the SHOP going forward. The focus groups were conducted to provide a deeper understanding of knowledge that could not be captured with the survey alone regarding reactions, perceptions, and attitudes towards the SHOP. The focus groups supplement the survey and provide qualitative insight into the thinking and perceptions underlying the objective responses obtained in the survey.

Objectives of the Survey

The study's objectives were to assess among Small Business a) the current environment with respect to coverage, attitudes, and knowledge with regard to the SHOP, and b) the environment to which the SHOP Exchange would be introduced.

For the current environment, the study focused on:

1. Coverage status for employees
2. Premiums and contributions
3. Shopping for coverage
4. Administrative burdens
5. Benefits staff
6. Inhibitors to coverage

In assessing the SHOP Exchange environment, the study focused on what the SHOP Exchange could provide and the willingness of Small Businesses to engage in the SHOP Exchange. Specifically targeted were:

1. Potential services of the SHOP Exchange for Small Business
2. Services important to the Small Business owner
3. Services important to their employees
4. Willingness to engage in planning

The survey results are presented through the use of a few tables and a large number of figures in a consistent format, each accompanied by a directed brief narrative analysis. The objective is to present the data and its significance in a balanced way to inform the planning and development by DOI and the Legislature. Others could reach different conclusions with the same data.

Portions of the results are presented in appendices specified in the narrative. This is where additional information may be found to substantiate formulated conclusions, or where the technical information supplements the presentation.

Objectives of the Focus Groups

The Study conducted four focus groups and one individual interview with participants who are small business owners. The focus groups were conducted in February and March of 2012 to gain information about needs, preferences and perceptions of small business owners and employee benefits decision makers as DOI prepares to develop the SHOP.

The focus groups supplemented information gained through the survey. They were conducted during the second and third months that the telephonic survey was being conducted. The facilitation guide reflected the survey questionnaire and objectives, and was informed further by the first month's responses to the telephone survey. The focus groups were to provide an understanding of the broader, average small business employer perspective on a number of issues relevant to implementation of the SHOP. They provided insight into the underlying perceptions, aspirations, concerns and even fears that underlie the quantifiable results of the telephonic survey.

There were five key objectives for the focus groups:

1. Examine preconceived notions/understanding of the SHOP — among both employers who have purchased employee health insurance coverage and those who have not. Included were both a) beliefs about the core purposes of the Health Insurance Exchange (SHOP) and also b) barriers to understanding the Health Insurance Exchange (SHOP).
2. Examine the motivation and interest of small business owners in using the SHOP and their perception of what benefits the SHOP could provide.
3. Explore their preferences for SHOP services, including a) using the SHOP for information gathering, b) using the SHOP as the actual point of purchase, c) whether the SHOP is anticipated as a substitution or addition to broker services, and d) whether it would be oriented to employer vs. employee uses.
4. Explore preferences for pricing. Broadly these included a) expectations for costs, b) whether there is any foundation for payment of levels of services, and c) the perceived value of the services.
5. Gauge the response and reaction to potential structure of the SHOP.

A. Opportunity for the SHOP

The Survey Methodology

The survey by telephone of 607 owners or presidents of small businesses across the state was conducted by the SRL at UIC. Sampling files were drawn independently from the most recent Dunn & Bradstreet data by an independent firm under contract to the SRL.

The sampling frame was stratified by Employer Size (number of full time employees) and Region. The Regions were developed and then tested against an earlier Deloitte Study (*Review of the Current Illinois Health Coverage Marketplace, September, 2011*). They were in substantial conformance. The regions developed were 1) Chicagoland (Cook County and the four contiguous counties of Lake, Kane, Will and McHenry), 2) Other Urban (comprised of counties outside of the Chicagoland region with a metropolitan area), and 3) Rural (which reflected counties without a city). The sampling frame was designed to ensure that the survey results would reflect variation in practices and opinions by either firm size or region. A five-category response was used, allowing the respondents a middle category of ambivalence in order to achieve stronger conviction at either end of the scale. Variations in the results were statistically tested. Appendix A provides a full survey methodology.

Table 1
Sampling Frame

#Full-Time Employees	Regions			Total
	Chicagoland	Other	Rural	
1-2	22	22	22	66
3-25	44	44	44	132
26-50	66	66	66	198
51-100	66	66	66	198
Total	198	198	198	594
		Actual:		
(1-2) *	(8)	(10)	(7)	(25)
1-25 *	73	75	72	220
26-50	67	65	66	198
51-100	60	64	65	189
Total	200	204	203	607
*Included in 1-25. All are 2 person firms.				

The study initially targeted firms of 1-2 in a separate stratum, to not overwhelm the “under 26” firms with the smallest firms.

Qualification included intensive screening of firms with 1 or 2 employees, seeking firms with at least 1 employee not related to the owner. This became impractical; the 1-2 and 3-25 strata were then consolidated into 1-25.

The questionnaire was developed by the School of Public Health with the advice and review of the DOI and Healthcare and Family Services (HFS), and their consultants. It was tested internally and field-tested by SRL.

Once the sample was selected, the interviews were arranged. A regimen of an advanced letter to the identified President or Owner was sent to explain the study and to invite participation. It was followed by calls to arrange the best time. There were multiple follow-up attempts to reach the sample and to confirm that the correct individual was being interviewed. Interviews were approximately 20-25 minutes conducted by experienced staff on a computer-enabled platform. The time variance reflects the difference in questions asked of firms already providing or not providing health coverage. The survey was conducted between January 9th and April 5th, 2012.

Findings bearing on Methodology

Consistencies internally and externally help to validate the study’s findings. These were established in two ways supporting the results as reliable. These are:

#1: Size, not region, matters Intra-regional survey results were not significantly different. The apparent consistency was validated statistically.¹ There is no reason to believe that the design or offerings of the SHOP Exchange need to reflect regional variation. Employer size, not region, drives the analysis. All of the work presented in the report is based on the employer’s size, as determined by the number of full-time employees that either are or would be eligible for benefits.

**Table 2
Firms Offering Coverage by Size**

#2: Survey confirms Health Insurance prevalence of Kaiser Family/HRET study

Firm Size (# employees)	Kaiser Family/HRET 2011	DOI/UIC 2012
2		32.0%
3-9		55.3%
3-9	48%	
1-25*		54.9%
10-24	71%	
10-24		80%
25-49	85%	
26-50*		83.5%
50-100	96.3%	
51-100*		91.7%
50-199	93%	
All firms (to 100)		83.4%
All firms (unlimited)	59%	

The direct dimension that could be used to validate the survey’s results externally would be comparison to the prevalence of health coverage established by other significant studies. The prevalence of health coverage among Small Businesses in the survey tracks closely with other studies.

For comparative purposes, *Table 2* presents the survey’s respondents reorganized to reflect the Kaiser/HRET categories. The study attempted strata of 1-2, 3-25, 26-50 and 51-100. (There were no firms with 1 employee unrelated to the owner).

* UIC-DOI study strata

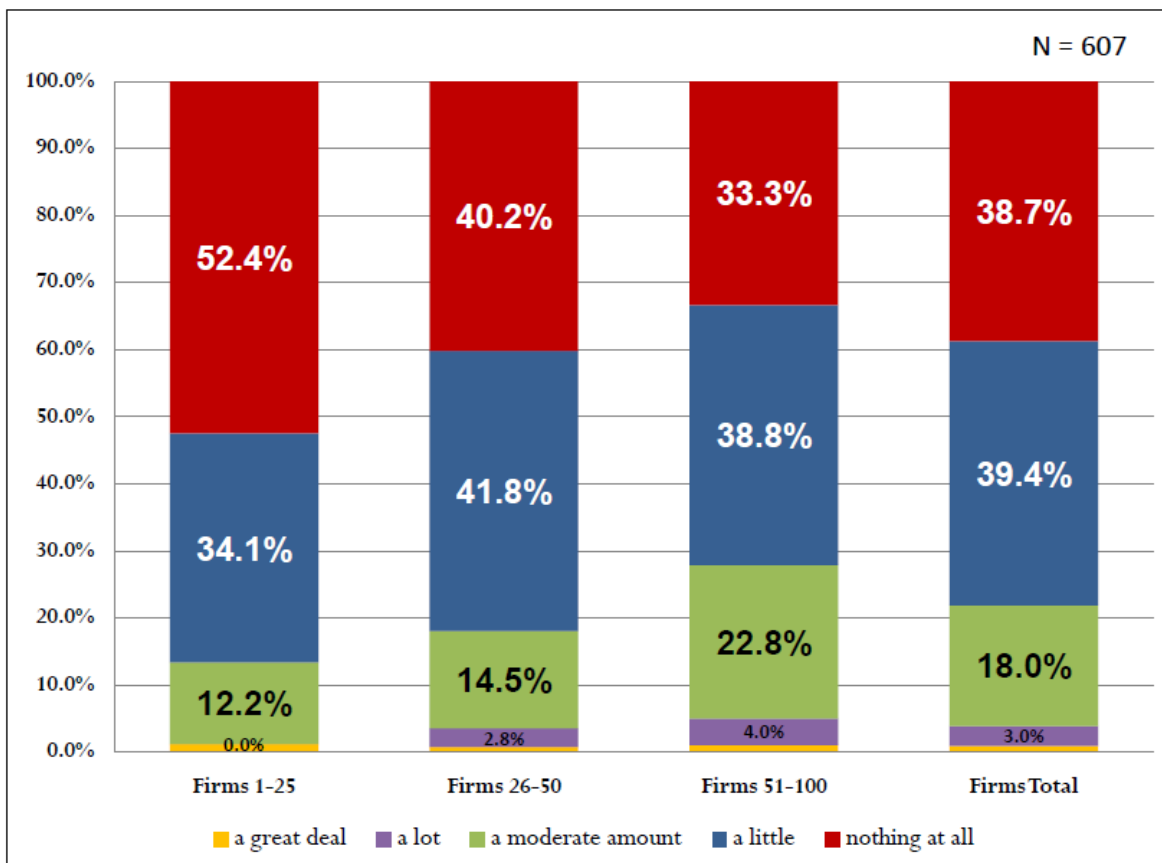
¹ The Pearson chi square test was used to test for independence and t-tests were used to test for differences between strata. Our data shows independence among regions and the offering of insurance to employees. There was no statistical difference in offering insurance based on the region of Illinois in which the firm was located.

B. Current Practices

I. The Knowledge Baseline

The study attempted to ascertain in both the survey and the focus groups the current level of knowledge about the SHOP for small business. The most certainty about the Exchange for Small Business is that small business owners are aware that they don't know much, and were clear about that at the outset of the interview. Four out of five small business owners said they knew a little or nothing at all about the Exchange.

Figure 1: How much do you know about the proposed Health Insurance Exchange for small Business?



This open expression of “not knowing much” became important as the survey (and the focus groups) progressed. The interview, in both formats, informed the respondent as it progressed. By the conclusion, opinions about the importance of factors and potential services developed. Based on the structure of the survey, which used five categories of response, the respondents were afforded the opportunity to go to the middle ground. Consequently, the reader and planner can attribute more strength to the two stronger categories at either end of the scale.

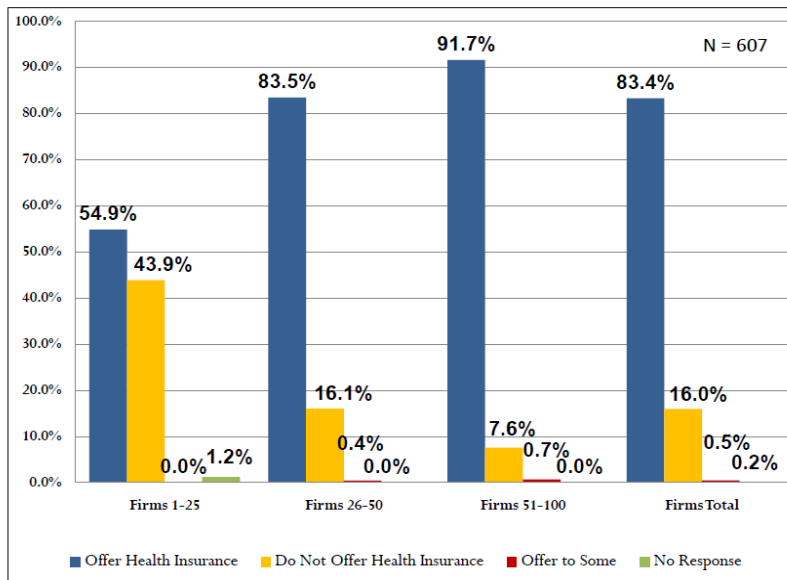
The act of asking questions clearly educated and informed the respondents, and revealed expectations in both the telephone survey and the focus groups. The Study, in both aspects, presents the baseline on the knowledge, opinions and attitudes of small business owners who are not yet deeply knowledgeable,

but who form opinions quickly as information unfolds. As a baseline, it can inform planning and communications. The quickness at which information was digested suggests that the communication and timing of clear messages and content with regard to the SHOP is important.

II. Prevalence: Who Offers Coverage and What Types?

Small businesses in Illinois are providing coverage in the same proportions as seen nationally. The provision varies with the size (number of employees), and larger firms provide health coverage in higher proportions.

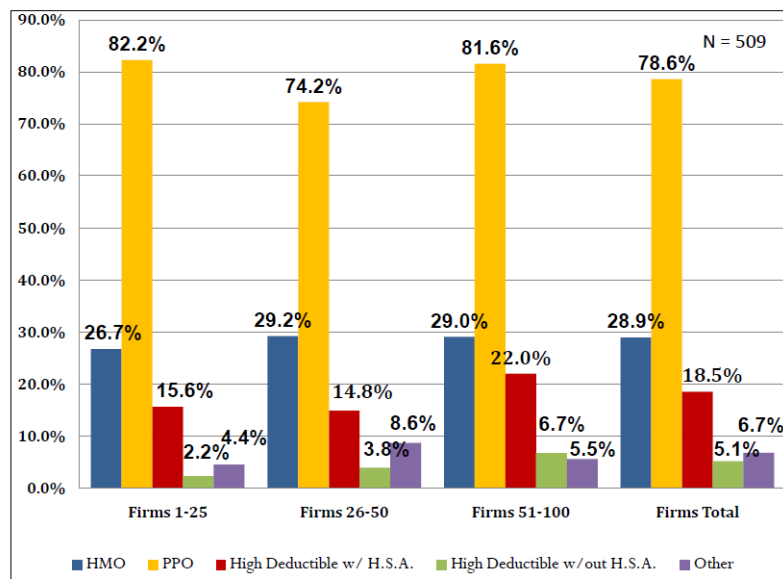
Figure 2: Who Offers Health Insurance?



PPOs remain the most frequently provided coverage. Nearly 80% of all firms (N=509) that provide coverage provided a PPO, while 29% of firms with more than 25 employees provided an HMO plan.

Figure 3: What Kind of Insurance Plan Do You Offer?

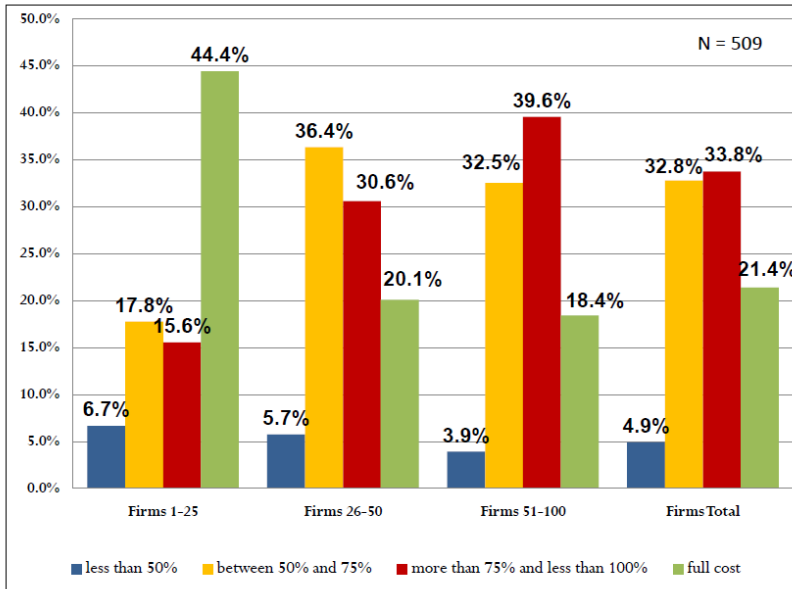
Among the smaller tier (under 26 employees) a slightly higher number provided PPOs (82%) accompanied by a lower proportion providing HMOs (27%). The middle tier of firms (26-50) actually provided PPO coverage at a lower rate (74%) than the other groups. A number of firms provided both, which is why percentages in each tier do not sum to 100%.



III. Premiums: Prevalence and Employer Subsidization

The study attempted to ascertain the structure and level of premiums that the employers were paying and the levels of contributions required of employees. The question was asked in two different ways: a dollar range and as a percent-of-premium, anticipating that the respondent was likely to know one if not both.

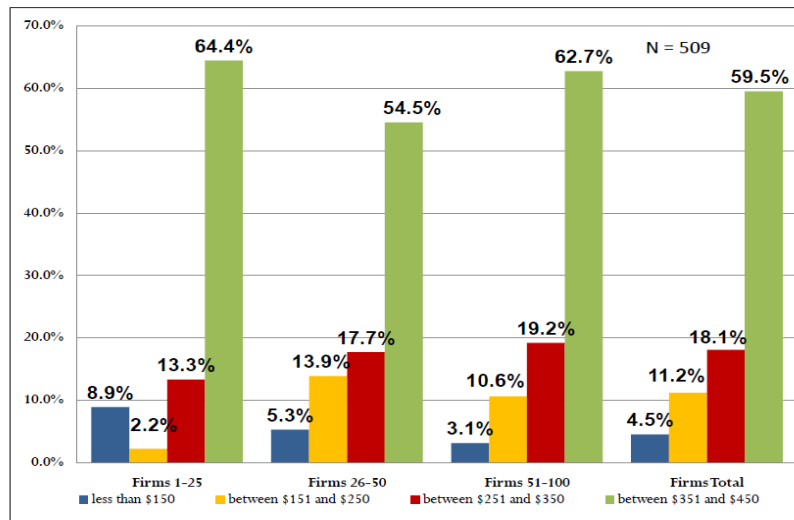
Figure 4: What % of the Premium Do You Cover for the Employee?



Forty-four percent of the smaller employers (<26) paid the full cost of the employee-only premium, higher than in either of the other tiers, and a full 60% paid 75% or more of that premium. Among the larger small businesses, the 100% employer support of the employee-only fell by half, with a correspondingly greater number requiring contributions at the mid levels.

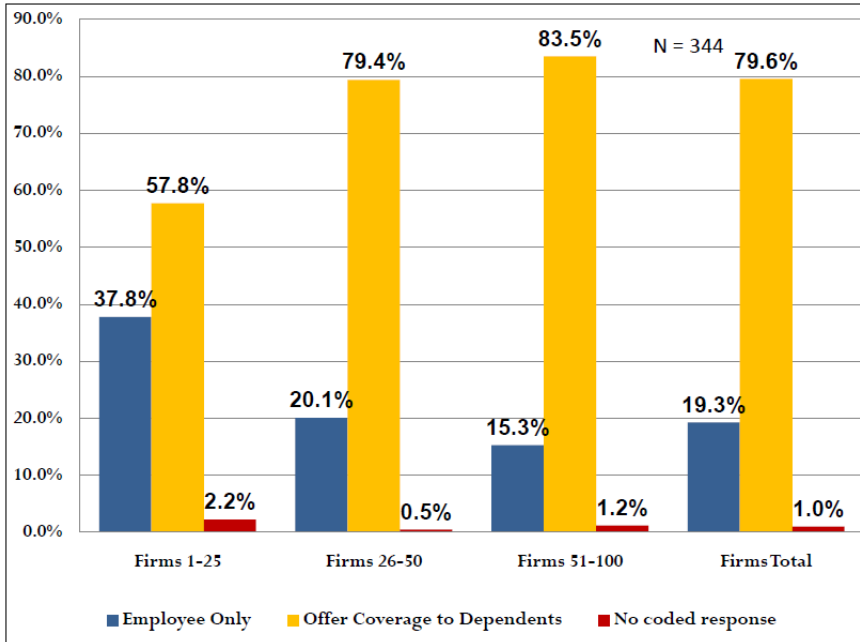
Figure 5: How Much Do You Spend on the Monthly Premium Per Employee?

The magnitude of the premium burden for the single employee is striking: almost 60% of all employers in the sample are paying *more than* \$350 monthly for the employee-only coverage. The smallest firms (under 26) lead this measure, with nearly 65% paying more than \$350 monthly.



Given the extent of the employee-only coverage, in breadth and cost, it was important to establish to what extent Small Business limited coverage to its employees, and whether or not dependents could be covered as well, even at the employee's full expense.

Figure 6: Can the Employee Purchase Coverage for Dependents?

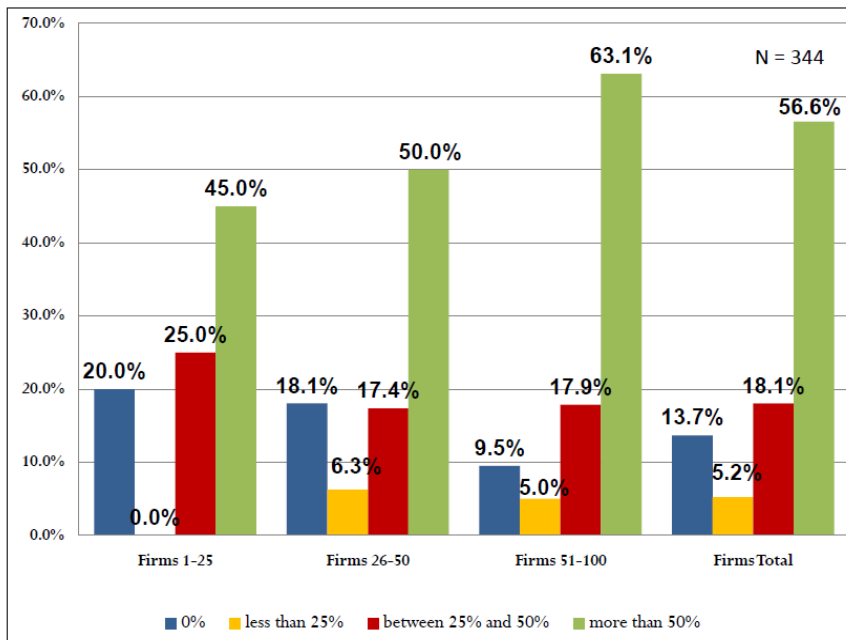


In this case, the smaller employers (<26) were twice as likely as to restrict coverage to employees (38%). Two-thirds of firms providing coverage (N=344) confirmed making available coverage of family (dependents).

The question's wording assumed that no firm paid 100% of dependent costs, but no respondent sought clarification. It is likely that none paid 100% of the dependent cost.

Figure 7 displays the distribution of employer cost (subsidization) of the family premium as a percent of premium.

Figure 7: What Percent of Family Premium Do You Cover?

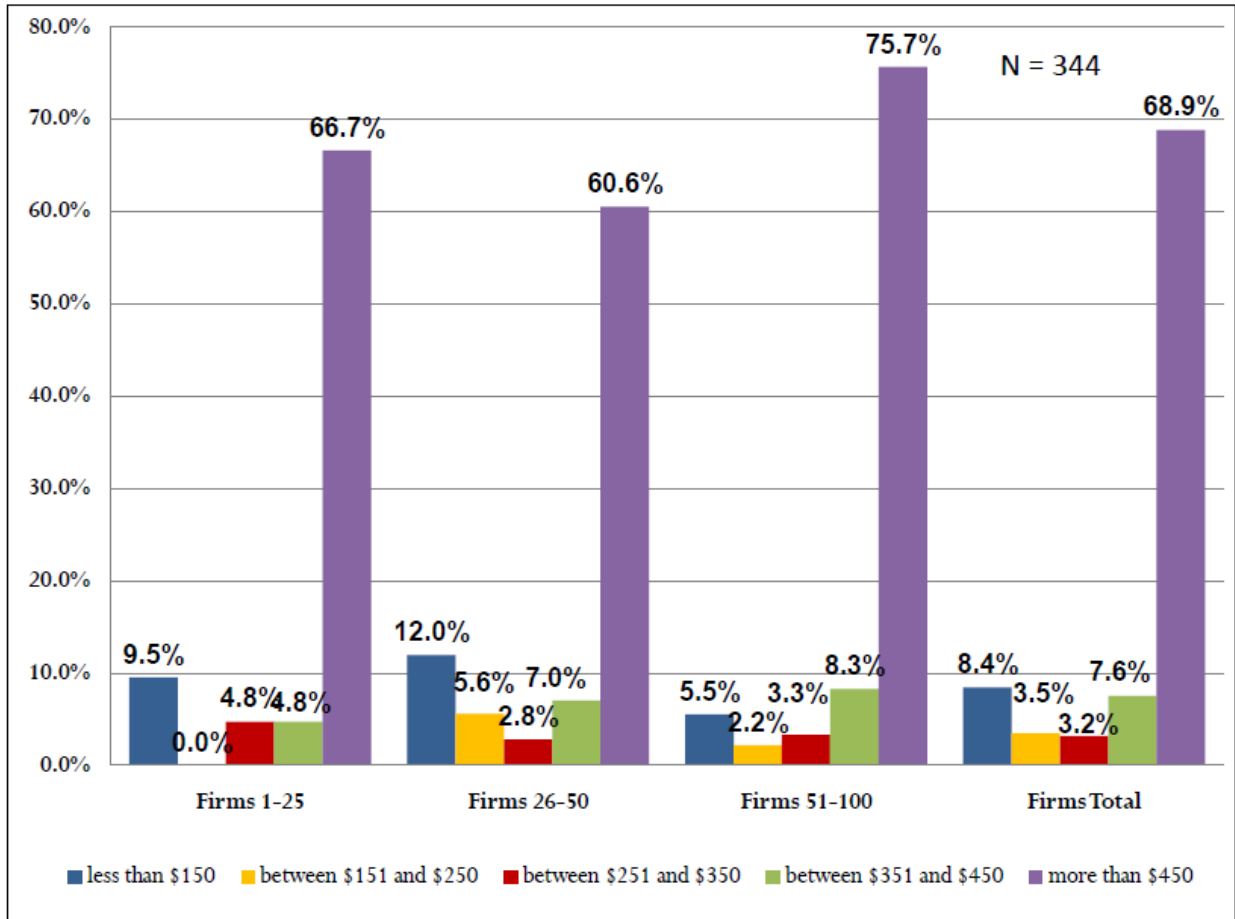


While it varies by size tier, it is noteworthy that in firms smaller than 50 employees, fewer than 50% subsidize 50% or more of the family premium. Even in the firms of 51-100 employees, 63% pay at least 50% of the family premium. Overall, nearly 57% of small businesses (<100) offering health benefits pay more than half the cost of dependent coverage.¹

¹ The study sought greater interval precision on employee-only costs, in terms of percent of costs and absolute dollars; the higher and optional dependent coverage used a lower intervals (50%+) and \$450+.

Again, when considering the dollar thresholds in Figure 8, the proportion of small businesses that are spending more than \$450 towards the monthly family premium is substantial. Two-thirds (69%) of all the employers in the survey who provide family coverage are paying more than \$450 per month. The \$450 monthly was selected as the floor of the open-ended top interval, and very likely understates the full value of employee’s family premium cost.

Figure 8: How Much Do You Spend on the Monthly Family Premium?

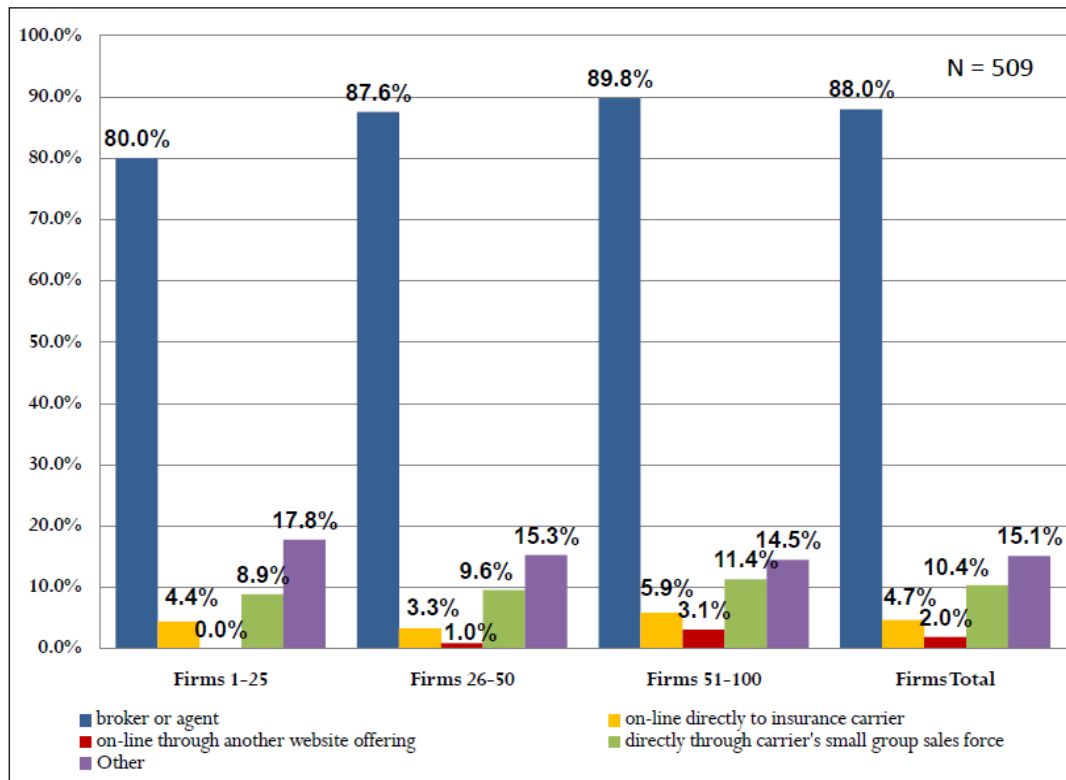


IV. Acquisition and Management: How Do You Shop and Manage Your Health Insurance?

The SHOP is about shopping for coverage. How owners of small businesses shop for coverage, and how they manage their health benefits are key to the issues of transition from the current environment to the establishment of the SHOP. The shopping experience frequently is through a broker or agent, and they provide some levels of services in the management of the plan. The study explored these issues in this and subsequent sections; the focus groups also provided more depth.

The survey anticipated a variety of ways that the small business owner might look to the market. These included web-sites, direct pricing, use of the commercial small-group sales representatives, as well as brokers and agents.

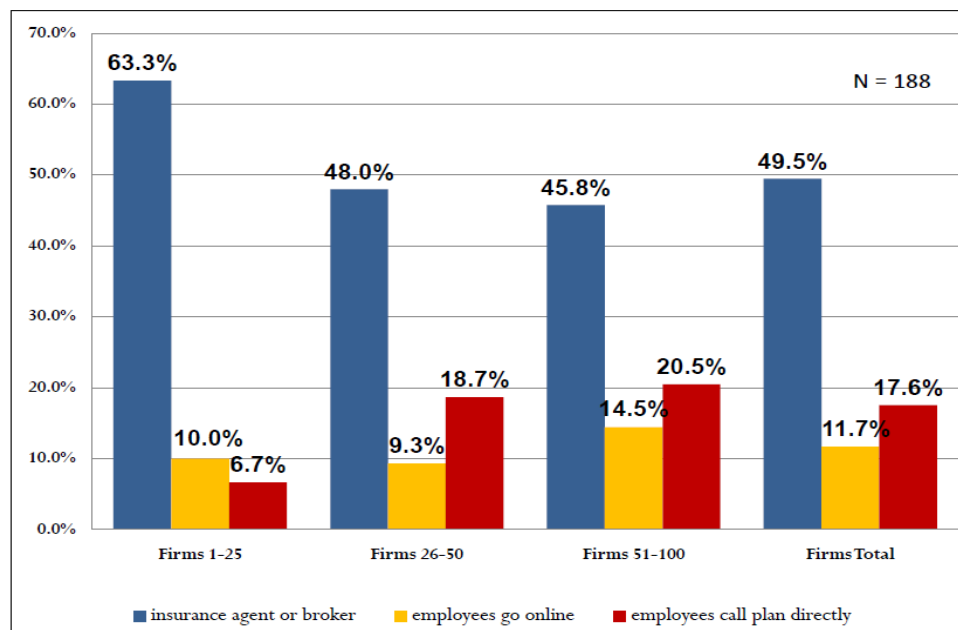
Figure 9: How Do You Shop for the Insurance?



From the smaller firms (1-25) through to the larger firms (51+), the prevalence of reliance on a broker ranged from 80% to 90%.

The predominant reliance on brokers is impressive. It is, however, also clear that the services that brokers provide are variable and not standardized. An example is not all brokers answer employees' benefits questions. The focus groups also identified significant variation in the broker's role in managing the ongoing responsibilities of the plan. Who answers employees' coverage questions is a major area of interest.

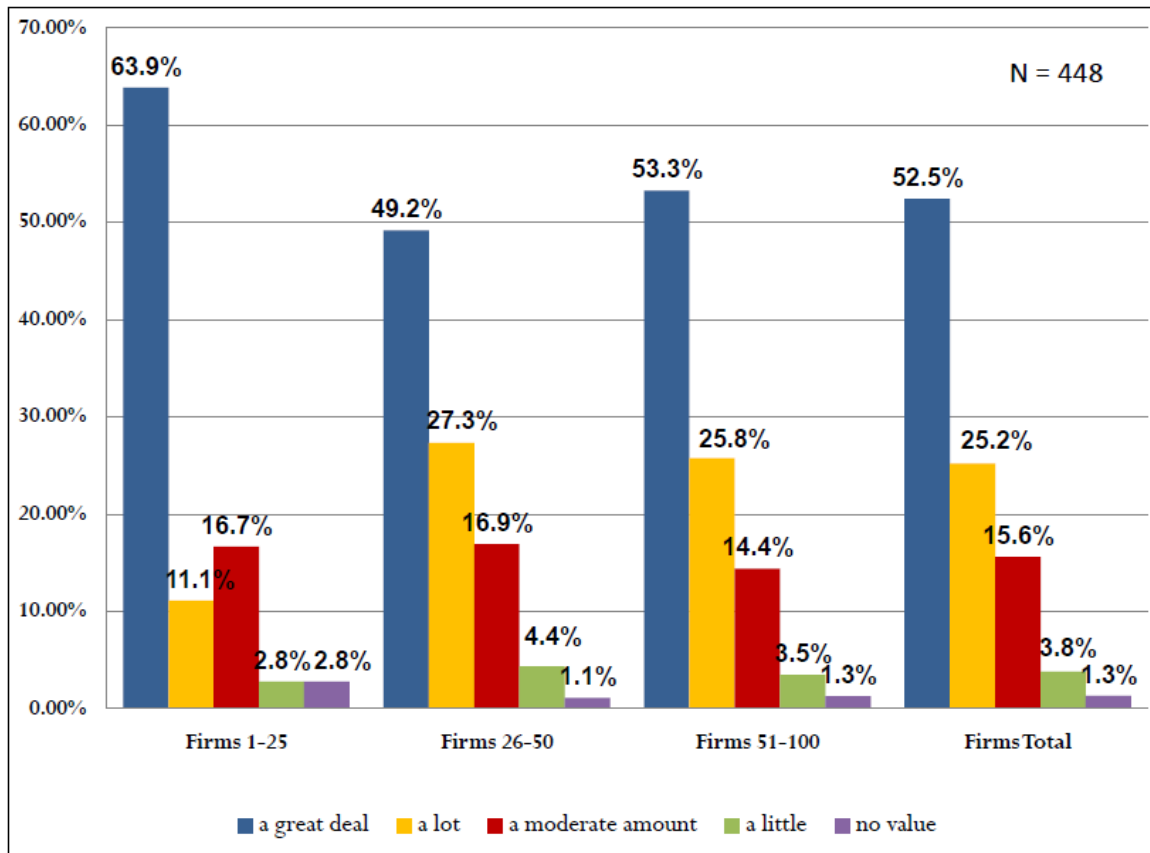
Figure 10: Who Answers Enrolled Employee Coverage/Claims Questions?



Noting that only 188 small business owners answered the question, the reliance of the smaller firms on brokers to answer employees' coverage and claims questions was somewhat higher than among the larger firms.

Just over half of the responding firms did not specifically rely on their brokers for this service, although in many cases the larger of the smaller firms had somebody who handled benefits issues as part or all of a staff function. Consequently, when turning to “broker value,” (Figure 11 below) the response that the broker brings “a great deal of value” to the purchasing process reflected a very similar distribution as the service question (Figure 10 above); it was substantial across all tiers, but greater among the smaller firms (<26).

Figure 11: How Much Value Does Your Broker or Agent Bring to Your Insurance Purchasing Process?



Still, across all three tiers of employers by size, 78% responded that their brokers/agents brought either “a great deal” or “a lot of value” to their purchasing process. The study addresses the “broker value” further in subsequent sections.

C. What’s Important?

I. What is important to Small Businesses?

This section of the survey and the report is the bridge between the discussion of the current environment and the future environment of the SHOP. The problems that a small business encounters in shopping for and managing health insurance are legend. The study sought to understand these problems more fully, both objectively in the survey and more subjectively in the focus groups. These are important because the SHOP, to be engaging, needs to alleviate the most significant of these.

Questions were asked addressing two levels. First, “What are your problems today?” (so that the SHOP can subsequently address those). Then, on a higher level: “What is important to you in selecting health insurance?” The second frames the subsequent development of the services that SHOP might provide.

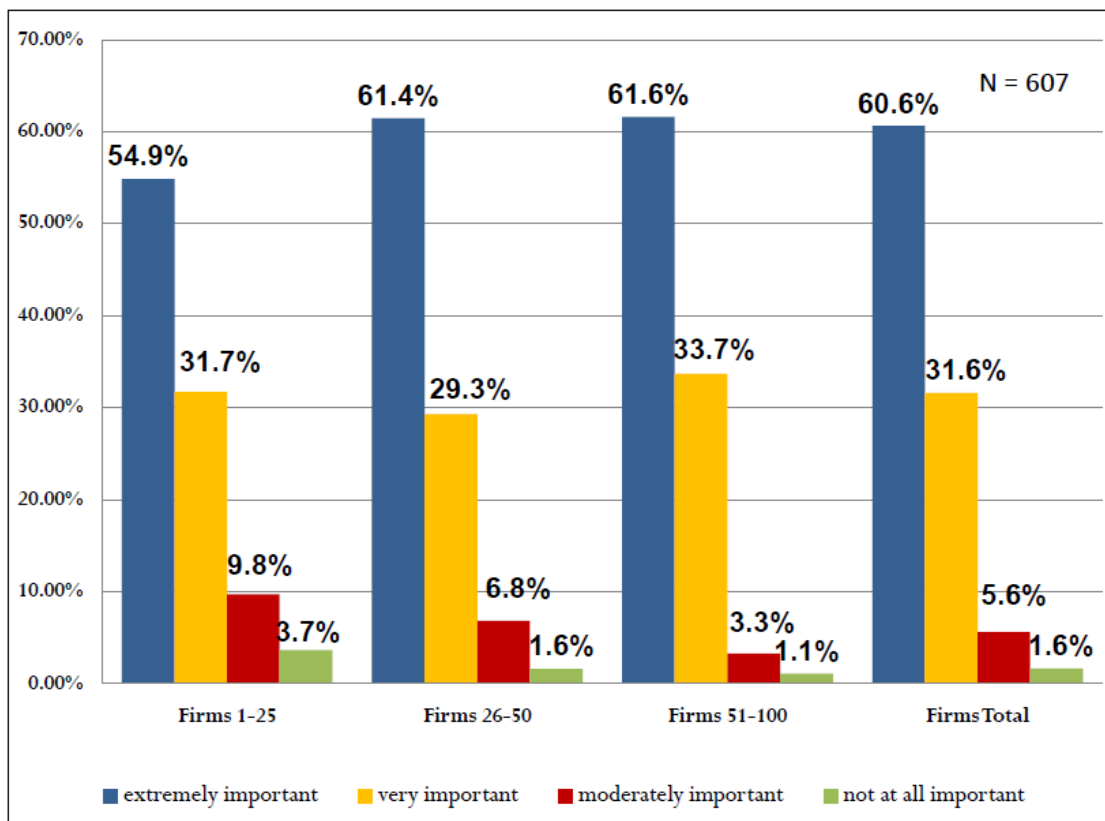
II. What are Your Problems in Providing Health Insurance Today?

The study sought to differentiate the problems of administration and management of health insurance from both the process of shopping and cost (price). For each, the respondent was asked what level of importance he/she assigned to each. Administrative burdens were presented as:

- Paperwork to enroll or terminate employees, or manage changes
- Dealing with policy provisions
- Billing and premium collection issues
- Understanding state and federal insurance laws

The results were surprising in that none of the administrative burdens identified were particularly problematic. Only one factor registered a particularly strong response. Overwhelmingly, and taken by itself, the single most important problem is price. See Figure 12.

Figure 12: Price

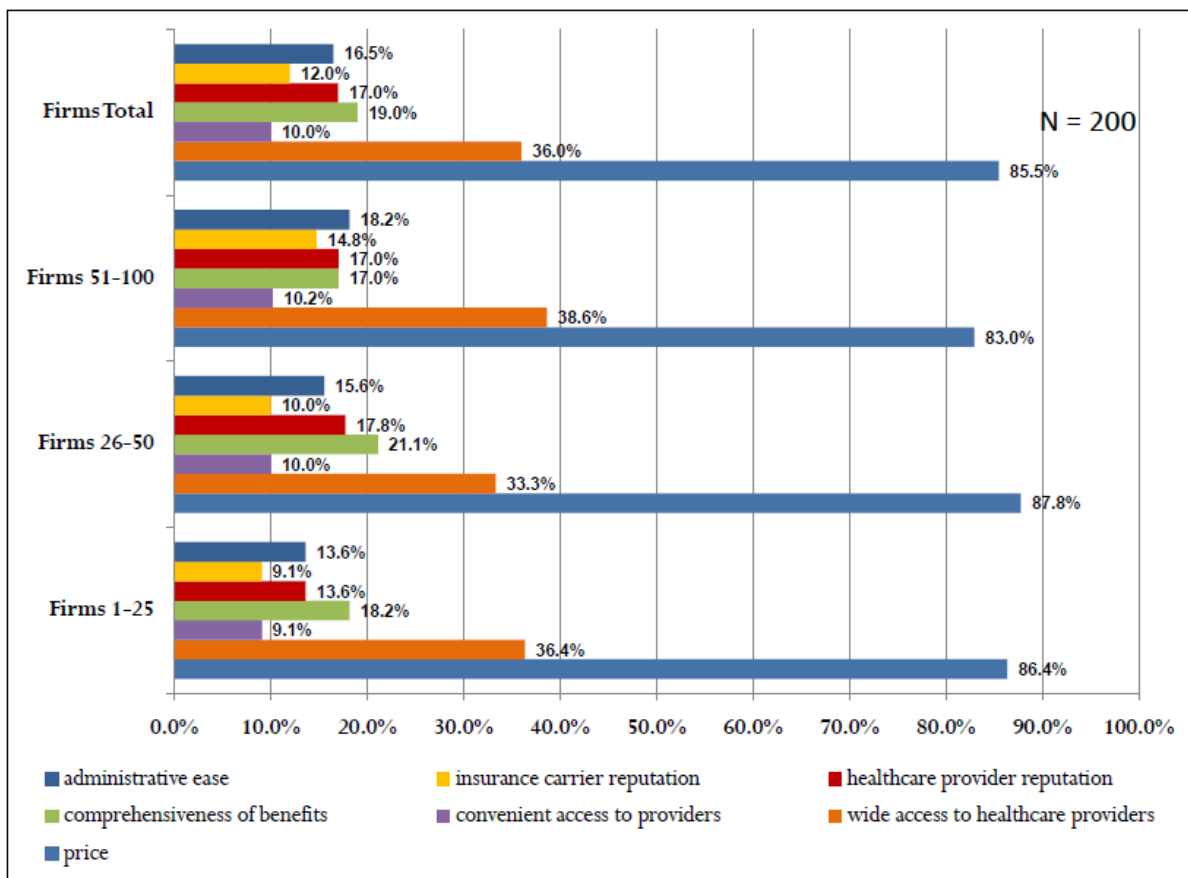


The strength of this was tested again within the context of the higher level: the factor’s importance to the respondent in selecting health insurance. The interviewer presented the choices sequentially, and not as a list. With price presented last, the choices included:

- Administrative ease
- Insurance carrier reputation
- Healthcare provider reputation
- Comprehensiveness of benefits
- Convenient access to providers (geographic)
- Wide access to healthcare providers (breadth)
- Price

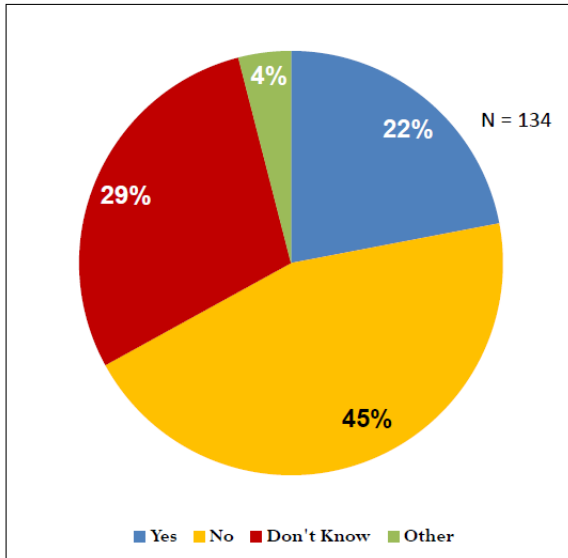
Independently, these all received relatively similar expressions of importance. However, agreement on the importance of a factor, without assignment of priority, is not useful for planning. Consequently, the study sought prioritization: “Which two are most important...?” Wide access to healthcare providers (defined as broader network, not geography) was the runner-up (36%), followed by the comprehensiveness of benefits (18%). Price was again the most important (86%). See Fig 13.

Figure 13: Which Two are Most Important?



A tax credit is currently available to small businesses up to 25 employees. Under ACA, the tax credit will be available only to firms using the SHOP. Consequently, the study sought to assess the importance of the tax credit in the decision to provide coverage. This question was asked only of small businesses providing benefits and qualified by size (not more than 25 employees) to receive the tax credit.

Figure 14: Do You Currently Take Advantage of the Small Employer Tax Credit? (1-25)



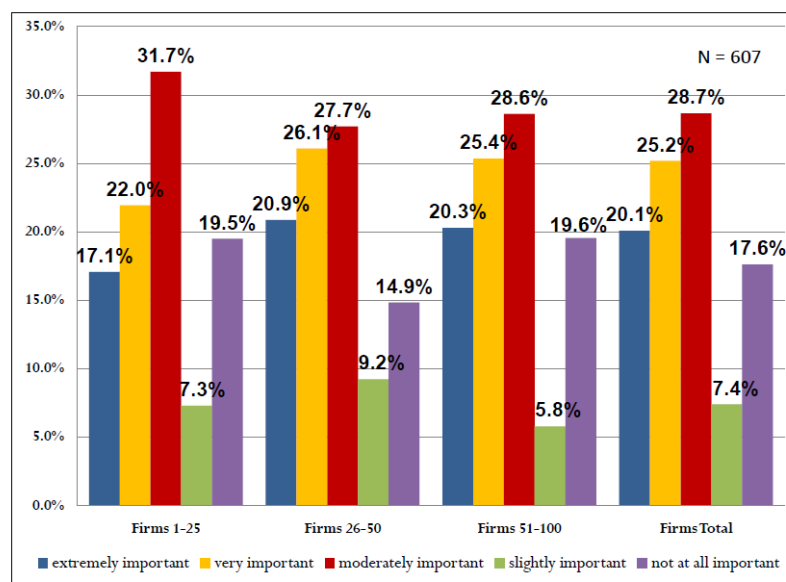
The tax credit did not register as a significant factor in the decision to provide insurance: only one fifth (22%) of firms providing coverage took advantage of the tax credit. In fact, there was substantial uncertainty about the tax credit; one third did not know whether or not they were taking advantage.

The lack of knowledge about the tax credit underscores the small business owner’s operational level of information regarding not only the SHOP but also about the provision of health insurance itself. There was confusion about whether the tax credit was the same as the tax deductibility of the plan. It suggests again the complexity and the probable deference to the accountant in the same way as to the broker.

By contrast, and given the low level of knowledge regarding what is actually in ACA about the Exchange for small business, all of the firms (whether they provided health insurance currently or not) were asked how important access to tax credits was to them.

Figure 15: How Important is Access to Tax Credits

Overall, 20% thought that access to tax credits was “extremely important,” and it was less important to the smaller firms (under 26 employees) where the credit is currently in place. Again, the confusion over the Small Employer Tax Credit and the tax deductibility of health insurance may have influenced these responses.

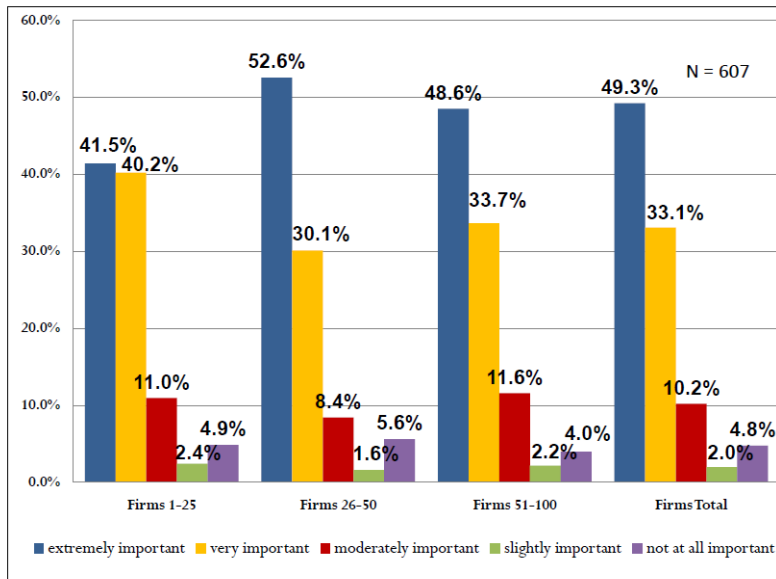


Three publically perceived broad objectives of the SHOP are to:

- Make health insurance affordable to provide
- Make the shopping process easier
- Enhance a small business' ability to attract and retain employees

All the firms' owners or executives (whether they provided health insurance currently or not) were asked how important these broad benefits of the SHOP were to them. They clearly buy into the importance of making health insurance affordable, which is their expectation of the SHOP.

Figure 16: Making Health Insurance Affordable for You to provide

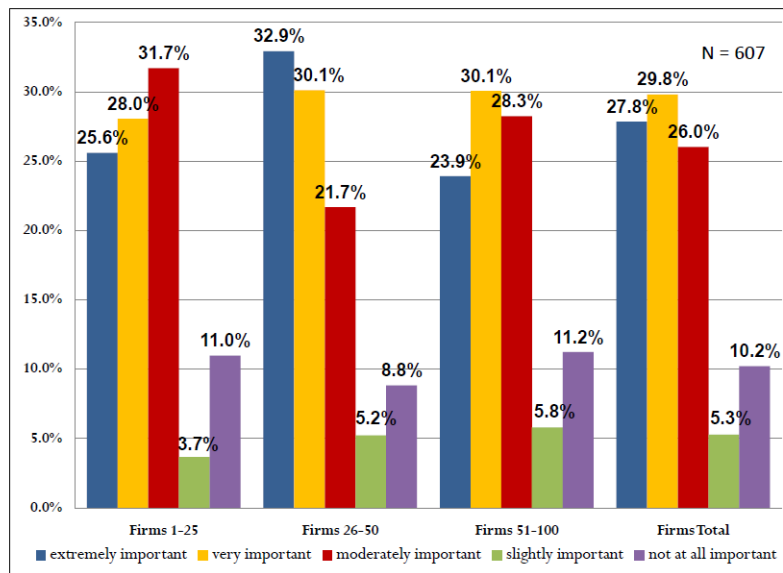


Half of the firms (49%) said that making health insurance affordable was “extremely important” and another 33% said “very important.” The relative position of each affirmation varied across the firms by size, but in combination it was strong at an approximate 82% across tiers.

The full sample was also asked about the broad goal of making the shopping process easier.

Figure 17: Making the Insurance Purchase Process Easier

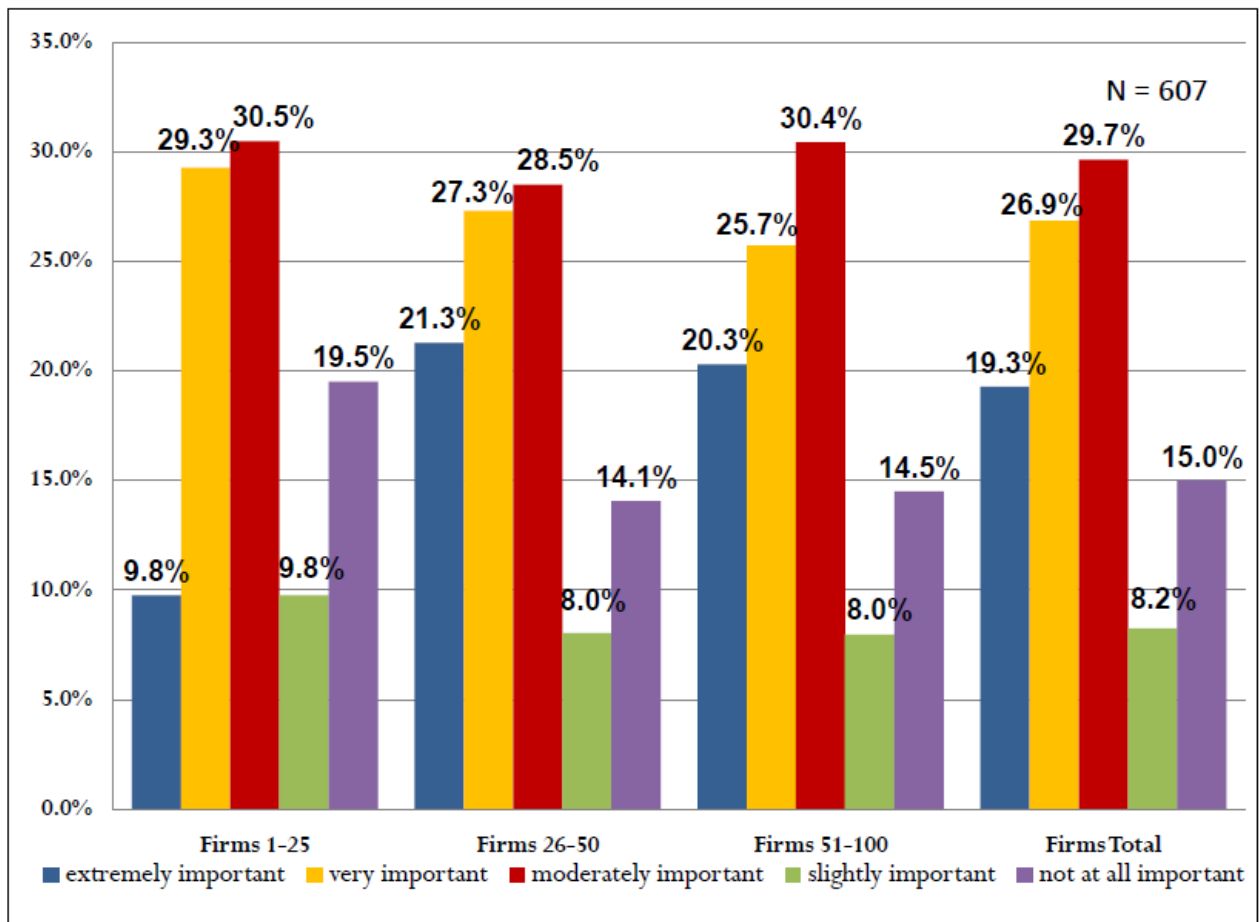
Making the insurance shopping process easier had a lower over-all buy-in; fewer have trouble getting coverage while more find it unaffordable. Making the shopping process easier was somewhat more important to the mid-range small businesses (26-50) than the others.



This elevation in importance assigned to various factors by the mid range firms, while the smaller firms (under 26) assigned lower importance, occurred in a number of variables. The team hypothesized that firms in that category (26-50) may be more frustrated because providing coverage presents significant cost exposure, and they are large enough to access coverage but too small to get the special attention or benefits (service and price) they feel they deserve. The smaller firms may have leaner coverage, but are accustomed to dealing with the impediments and are satisfied simply to have benefits.

There was a somewhat lower importance assigned to the SHOP objective of enabling small businesses to attract and retain employees than to either affordability or the shopping process, although it did receive strong support. One fifth of all firms (19.3%) thought that SHOP’s enabling them to attract and retain employees was “extremely important,” and another 26.9% thought it was “very important.” Just under a fourth of all firms indicated that it was either “of slight importance” (8.2%) or “not important at all.” Interestingly, the proportion of smaller firms (under 26) that thought the SHOP enabling them to competitively provide health insurance was “extremely important” (9.8%) was half that of both larger tiers of small businesses. See Figure 18.

Figure 18: Enhance Your Ability to Attract and Retain Employees



D. Preferences and Future Environment

I. Services the SHOP Could Provide and Their Importance

What should the SHOP be for small businesses? What services should be provided? The study sought to measure the potential engagement in the SHOP through both the survey and the focus groups. The focus groups asked broadly for expectations and preferences as to how the SHOP might work. The survey respondents were objectively asked the “How likely would you be to use the Exchange² to...?” The objective was to inform developers on the utility and preferences for engagement with the SHOP.

The context for these preferences are a) a largely shared perception that the respondents did not know much about the SHOP at the outset, and b) their response is to a theoretical service without a prior awareness that it *could even be* available. A service thought to be a critical component by the SHOP’s developers that elicited less positive response does not necessarily mean that it should not be provided; it may be a measure of the need for communications.

Understanding these results requires looking at the strength of the extremes. The use of the 5 response categories enables respondents with lower or ambivalent convictions (to participate or not) to manifest that by selecting the middle category of “might or might not.” The “definitely” or “probably will use” can be used to project threshold participation in the SHOP on particular services or in combinations. Conversely, small business owners who react strongly against the particular service with a “probably or definitely won’t” accurately reflect employers likely not to engage in the first several years.

The responses to the services offered present objective measures of the inclinations, comfort and even philosophy of small business owners to services that could substantially either alter or coexist with their current known practices. The results that follow may be individually compelling; however, they become more meaningful in the context of the focus groups.

How likely would you be to use the Exchange to...? The following services were then individually addressed:

1. Find clear information about your health insurance options
2. Select from different benefit plan designs
3. Determine which insurance plans provide the best geographic provider match
4. Be guided through the insurance plan selection process
5. Calculate the premium cost to cover your employees
6. Calculate the financial costs of not covering your employees
7. Determine the availability of benefits not mandated (e.g., Dental or Vision)
8. Determine the costs of benefits not mandated (e.g., Dental or Vision)
9. Have the Exchange combine your full premiums, bill you and pay plans
10. Answer your employees’ benefits questions
11. Access a directory of brokers and advisors

² Survey respondents were small business owners and understood all references to the “Exchange” meant the exchange for small business but were not necessarily familiar with the acronym SHOP.

The positive responses of “Definitely will” or “Probably will” use the specific services are arrayed in Table 3 below. The full graphic presentation of the responses by each potential service and size-of-firm strata can be found in Appendix C. The ordinal ranking of the potential services was conducted in three different ways, none of which materially changed the rankings (Appendix C, Table C.1). The ranking presented in Table 3 is on the basis of the combined affirmative rates (“Definitely will” and “Probably will”).

Table 3: Affirmative Likelihood to Use Services

Potential Service (N=607)	Definite	Probable	Combined Definite & Probable	
	%	%	%	Rank
Calculate the premium cost to cover your Employees	26.2	31.3	57.5	1
Calculate the financial costs of not covering your employees	26.5	27	53.5	2
Find clear information about your health insurance option	21.8	31.1	52.9	3
Determine which insurance plans provide the best geographic provider match	16.6	35.6	52.2	4
Select from different benefit plan designs	16.6	33.6	50.2	5
Determine the costs of benefits not mandated (e.g., Dental or Vision)	17.3	29	46.3	6
Answer your employees’ benefits questions	15.5	28	43.5	7
Be guided through the insurance plan selection process	12.7	30	42.7	8
Determine the availability of benefits not mandated (e.g., Dental or Vision)	9.8	29.3	39.1	9
Access a directory of brokers and advisors	7.7	24.6	32.3	10
Have the Exchange combine your full premiums, bill you and pay plans	6.6	17.5	24.1	11

Consistent with earlier findings, the most likely use of the SHOP is to determine the costs of both coverage and the penalties for not covering employees. The high interest in penalties by firms too small to be penalized reflects the lack of awareness regarding ACA provisions. Respondents’ interest in a directory of brokers and advisors was near the bottom, which might be explained by the current very high level of broker engagement (88% and 80% among the smaller tiers of firms). The lowest interest was in using the Exchange to aggregate their premiums, bill them and pay the health plans on their behalf. This is consistent with the frequent expression in focus groups of mistrust of the State to effectively implement the Exchange.

Most importantly, these questions address services that are, to some extent and for many a great extent, provided currently by brokers. The objective survey and the more subjective focus groups have both recognized the significant use of brokers and the perceived value that they bring to the provision of health insurance by Small Business. In order to consider the issues of broker-involvement in greater depth, we explored the intersection of several questions:

When the question of “How much value does your broker or agent bring to your health care purchasing process?” is crossed with “How likely are you to make selections directly through the Exchange (SHOP)?”, the results show a surprising openness to moving to the SHOP of a significant population. Twenty-eight percent (28%) of the respondents who feel their brokers bring “a great deal of value” to the insurance purchasing process are highly likely to use the Exchange, as would another 36% who feel their brokers bring “a lot of value.”

Table 4
Likely Use of SHOP for Purchasing by Broker Value

Make selections directly through the Exchange? (N=506)	How much value does your broker or agent bring to the health care purchasing process?	
	A great deal	A lot
Definitely will use Exchange	6.0%	13.3%
Probably will use Exchange	21.6%	23.0%
Totals	27.6%	36.3%

An even greater proportion of the respondents who feel their brokers bring “a great deal of value” to the insurance purchasing process would be likely to use the Exchange to answer employees’ benefits questions: 34% of those who believe the brokers bring “a great deal of value” and almost half of those (49%) who credit their brokers with “a lot of value.”

Table 5
Likely Use of SHOP for Answering Employees’ Benefits Question by Broker Value

Have the Exchange answer employees’ benefits questions? (N=607)	How much value does your broker or agent bring to the health care purchasing process?	
	A great deal	A lot
Definitely will use Exchange	11.1%	16.8%
Probably will use Exchange	23.0%	31.9%
Totals	34.1%	48.7%

Even more surprising is the subset of respondents who currently rely on the broker or agent to answer employees’ benefits questions. Of these, 45% expressed a high likelihood that they would use the Exchange to answer employees’ benefits questions: “Definitely” at 20.2%, and “Probably” at 24.7%. While these numbers demonstrate some significant weakness in the commitment to brokers who provide what should be significant services (and possibly reflecting variability in the quality of services actually performed), the questions were about the use of the services without a premise of exclusivity. Therefore, the questions did not specify “in place of a broker’s service.”

However, when firms (N=445) who 1) *currently offer insurance* and 2) *shop through a broker* were asked how likely they would be to “*use the Exchange for guiding them through the insurance selection process,*” 45% were quite likely to use the Exchange to be guided through the selection process (13.3% “Definitely will” and 31.2% “Probably will”).

II. Using the Likelihood-of-Use Responses to Estimate Take-Up of the SHOP

How many firms employing how many employees might elect to provide their health insurance plans through the SHOP? The strongly affirmative responses on the likelihood-of-use questions provide a basis for this estimate, given the state of awareness at the time of the study. Also, an estimate is independent of the very important variable of cost, although the likelihood-of-use responses might have been influenced by positive expectations regarding the SHOP’s ability to stabilize or reduce costs.

To make this estimate, five of the potential SHOP services were selected because each had a robust number affirming a likelihood of use and each clearly overlapped with broker functions. These included:

- Finding clear information about health insurance options
- Determining best geographic coverage
- Determining costs of benefits not mandated
- Calculating employee premium costs
- Have the SHOP Exchange answer employee benefit questions

Based on the percentage of all respondents by size of firm that they “definitely or probably will” use the Exchange for *all* of these services, an estimated 379,069 employees will work in small businesses which obtain health insurance through the SHOP (See Table 6). If they present an expected mean family size per employee of 2.1, then approximately 800,000 employees and dependents could be covered through the SHOP.

Table 6
Estimate of Employees in Small Businesses Who Will Use SHOP

Size of Firm	Percent Definite or Probable on all 5	Number of Firms in IL	Population Estimate using the Sample’s means (2, 11, 38, 71)
2	12.00%	197,497	47,399
3-25	12.31%	189,302	256,334
26-50	8.59%	11,987	39,128
51-100	8.47%	6,021	36,208
Total			379,069

That is, however, an estimate of Small Business engagement in the SHOP overall. How many of those employees would be new to health coverage? When the estimate is based on the respondents, by size of firm, which do not currently provide coverage, but say that they “definitely or probably will” use the Exchange for *all* of these services, then the population estimate is reduced by three-fourths. The estimate of newly covered employees becomes 98,318. Taken with the same expected dependent ratio, an estimated 206,000 people would be newly covered under employer-sponsored health insurance through the SHOP Exchange (See Table 7).

Table 7
Estimate of Newly Covered Employees in Small Businesses Who Will Use SHOP

Size of Firm	Percent Definite or Probable on all 5	Number of Firms in IL	Population Estimate using the Sample's means (2, 11, 38, 71)
2	0.00%	197,497	0
3-25	4.61%	189,302	95,995
26-50	0.51%	11,987	2,323
51-100	0.00%	6,021	0
Total			98,318

Estimates of Small Business engagement in the SHOP based on the “highly likely” users are still based in a largely uninformed and confused environment. It should be noted that the study was concluded just before the Supreme Court took up the issue of the individual mandate under ACA. Whether or not these estimates constitute either an actual floor or a reasonably expected early engagement is not part of this study. It is important to understand the state of the current environment, and understand the communications and education needed to successfully develop and reposition for the new environment with the SHOP.

Small Business today is largely uninformed, confused, somewhat agitated but also receptive. There is an enormous amount of misunderstanding about the SHOP. The focus groups highlight the need for communications to inform, dispel confusion, and address real concerns which may be both substantive and uninformed. The juxtaposition of the qualitative findings from the focus groups which follow will provide depth to the objective survey. The attitudes and perceptions articulated reflect the same community as the survey respondents.

E. Focus Groups: A Small Business Perspective

The focus groups were conducted in February and March of 2012 to supplement the survey of Small Business and to gain additional information about needs, preferences and perceptions of small business owners and employee benefits decision makers as DOI prepares to develop and implement the SHOP for small businesses. In the focus groups the discussion sometimes blurred the difference between the Exchange for individuals and the SHOP for small businesses. This is because for small businesses they are related: “Should I provide health benefits or make the employees use the Exchange as individuals?” Not everybody perceived that that they are independent.

Following the Survey’s structured, in-depth and time-limited telephone interview of 607 small business owners, the focus groups merit a brief discussion of what they yield in contrast to the Survey. Focus groups are part of a qualitative research methodology and differ in major ways from surveys and interviews. The basic premise of qualitative research is to start with as few preconceived ideas and assumptions as possible so that you can build a theory based on the data that emerges from that process. The goal is to understand participant attitudes, motivations and perceptions to be able to accurately describe the reality of others and to seek to tell someone else’s story, connecting the world of the participants to the research team and decision makers. In qualitative inquiry, the researcher starts with objectives but is open to new ideas or themes that emerge as data is collected. The

researcher identifies evidence that repeats and is common to several participants. The frequency of what was said (i.e., how often was it said), the extensiveness of what was said (i.e., how many people said it) and the intensity of what was said (i.e., how strong was the opinion) all provide the evidence for the findings. Qualitative methods are especially useful for exploration and discovery. Focus groups were an ideal choice in discovering and exploring participant attitudes, perceptions and motivations for using the SHOP as they provided an in-depth view of the understanding and attitudes about the SHOP.

Four focus group discussions and one individual interview were conducted with participants who are small business owners, small business employee benefits decision makers, and potential consumers of services of the future SHOP. One interview was completed with two participants, one of whom was a health insurance broker/consultant for businesses, and the other the administrator of a self-funded plan. Businesses represented by participants ranged in employee size from 1 to 650 employees (3 were over 100 employees). The methodology related to the focus groups is in Appendices A and B.

The research provides an opportunity to identify knowledge gaps and better understand attitudes, opinion and behaviors of small business health insurance decision makers who have and have not purchased health insurance for their employees in the past. This information will hopefully, enhance implementation of Illinois' SHOP, help build strong connections of communication with potential consumers, and create an environment that leads to an improved, quality experience for small businesses that may choose to use the SHOP. The report does not represent the experiences of all potential consumers of the SHOP services. While each focus group resulted in distinct findings that reflected the unique experiences of the small business health insurance coverage decision maker, there were a number of common themes that were present across groups.

The discussion was designed to gather information from the participants in regard to the following key objectives:

1. Examine preconceived notions/understanding of the SHOP — among both employers who have purchased employee health insurance coverage and those who have not. Included were both a) beliefs about the core purposes of the SHOP and also b) barriers to understanding the SHOP.
2. Examine the motivation and interest of small business owners in using the SHOP, and their perception of what benefits the SHOP could provide.
3. Explore their preferences for SHOP services, including using the SHOP for a) information gathering, b) as the actual point of purchase, c) whether the SHOP is anticipated as a substitution or addition to broker services, and d) whether it would be oriented to employer vs. employee uses.
4. Explore preferences for pricing. Broadly these included a) expectations for costs, b) whether there is any foundation for payment of levels of services, and c) the perceived value of services.
5. Gauge the response and reaction to potential structure of the SHOP.

Because of the nature and breadth of the discussion, and the consequent development, the report presents from the broadest level to the most detailed. It is organized in three sections. The first is a summary of the conclusions distilled from the discussions, as well as recommendations for the implementation of the SHOP Exchange, in policy and practice, that address the findings. The second is a synthesis of the themes that emerged with respect to beliefs, perceptions, preconceived notions, hopes and even fears about the core purposes, use and success of the Illinois Health Benefits Exchange. The third, Appendix D, is a detailed analysis and presentation of the key comments and observations from the focus groups that address each of the five objectives.

I. Focus Groups Summary and Implications

In each group session, participants resoundingly indicated that choosing health care coverage for their employees is a process they have found frustrating, time consuming and expensive. They emphatically stated that they do not feel equipped and/or that it is inappropriate as a small business owner to be in the position of making complex choices about health insurance benefits for employees. Most stated that the high cost of coverage has increased to the point that they are often making decisions between health care benefits and being able to keep lines of business and/or employees. Employers also indicated they feel a great deal of discomfort about the level of their involvement in their employee's health care that is a direct result of being in the position of choosing, paying for and maintaining service of health insurance benefits. They stated that this arrangement ultimately results in the employer having access to unwanted private and intimate knowledge about their employee's health. All participants indicated feeling compelled to make choices on hiring based on employee health risks (e.g., not choosing to hire women of child bearing age or older employees) rather than qualified candidates. Participants indicated that, at times, they have hired the candidate who will likely keep their premiums down in the long run rather than the most qualified and desired candidate. Participants indicated health care coverage costs can go up so high when employees have health problems (e.g., a "bad pregnancy") that it can end up putting their business at risk of failing. Participants frequently expressed a great deal of hope that the creation of a Health Insurance Exchange for individuals may mean they no longer need to be in the business of providing health care coverage. They were most hopeful that the SHOP can take on the role of answering employee questions about coverage and provide their employees clear information and coverage options that are at least as good or better than they have now at a premium that is no more or less than they have now. Participants were resoundingly hopeful that the formation of a Health Insurance Exchange (for individuals and small businesses) will reduce costs for everyone.

Most participants also believed the State of Illinois is not equipped to execute the complexities of a Health Insurance Exchange (SHOP) for small businesses. This belief was constant regardless of political perspectives and for both those who indicated they are hopeful that the SHOP will be of value and those who do not believe it should be created at all. Participants indicated they believed the State of Illinois will be extremely challenged in implementing the SHOP because of the high level of complexity they have historically experienced in choosing and designing their own health care coverage plans for their employees, even when they have the help of what they described as a skilled, knowledgeable broker. They indicated that they have little confidence that Illinois has the resources to successfully implement what they described as the massive undertaking of creating an Exchange. Virtually all participants assumed that the experience of using the SHOP will mostly be online through the use of a website to purchase health insurance, with most believing that there will be some sort of additional phone support and/or office support for questions.

Most participants also indicated uncertainty about where their broker will fit into the new model of the purchase of health insurance coverage for employees. Many believed that their broker will transition into a consultant role and bill them by the hour, as opposed to the current model of a commissioned sales representative.

Virtually all participants indicated they would prefer webinars to gain information and knowledge about how to use the SHOP. Some indicated they would like to have information come from their brokers, citing that they believe their brokers to be knowledgeable and trustworthy. Others assumed the

information might come from the Department of Revenue because of the access and established connection to small businesses.

Simply put, they indicated a strong preference for not being in the business of providing health insurance for their employees, while at the same time often indicating a great deal of mistrust for any “government-run” option for coverage for their employees. Participants were most concerned with the costs of providing coverage; gaining stability in rates and having the freedom to make hiring decisions based solely on the most qualified employees, as opposed to hiring decisions based on the risk and associated cost of employees’ health, were also valued.

Virtually all participants stated they did not know whether or not they will use the Exchange to purchase coverage for their employees, mostly stated as not having enough information to make the decision at this point. There appeared to be a great deal of uncertainty about whether or not they will be “forced” to purchase coverage for employees through the SHOP and some confusion about whether or not the business will be purchasing coverage or the employee will purchase directly from the individual Exchange without the employer involvement in the transaction. All participants indicated they do not have a clear concept of what to expect with the creation of the Exchange in 2014.

Participants believed the most crucial service the SHOP can provide is clear information about coverage options available. Participants overwhelmingly emphasized that the information must be extremely clear and easy to understand and that the website must be user-friendly. Most participants had significant fears that the creation of an Exchange will mean the loss of their broker (i.e., someone who they mostly described as a reliable source of clear information about options) and will ultimately increase the amount of time they will be required to spend on decisions around employee coverage. Participants indicated they would not like to see their coverage options or provider choices reduced with the creation of an Exchange.

The next section is on the implications for establishing the SHOP, in terms of policy and practice considerations. While these may echo findings of the Survey, they are entirely derived by analysis of the focus group responses and content.

Implications: Policy and Practice Considerations for Establishment of the SHOP

- Consider development of a working group of all potential consumers of the SHOP services, Illinois Department of Insurance representatives, brokers and employee benefits decision makers.

Considerations for exploration within the working group:

- Conduct analysis of findings in the context of feasibility of implementing supported and suggested potential Exchange services.
 - Assess feasibility of various suggestions by participants for preferred communication strategies to use with potential Exchange consumers of service.
 - Assess participant fears and concerns, particularly around the belief that choosing health insurance is too complex for most people, that the SHOP might be too difficult to use, and that the SHOP will not be capable of providing clear, understandable information.
 - Determine how or if these concerns need to be addressed.
- Consider the belief by most participants that their broker is knowledgeable and necessary in

the process of choosing and purchasing health plans.

- Implement policies and practices aimed to provide an easily understood and comprehensive explanation of choices on the SHOP.
- Assess whether or not public perception of the State’s involvement in the creation of the Exchange is problematic and, if so, implement policies and practices aimed to overcome public perception of Illinois involvement in the creation of the SHOP.
- Implement policies and practices aimed to provide new opportunities for DOI to successfully communicate with potential consumers of the SHOP’s services.
- Implement a communications plan to overcome lack of understanding of the purpose of the SHOP, particularly the lack of understanding of how small businesses will use the Exchange and how individual employees will use the Exchange.
- Implement practices and policies aimed to engage potential consumers of SHOP services in ways that will motivate them to pay attention to messages as the SHOP is created and implemented. Consumers may include employers and employees.

II. Major Focus Groups Themes

While each focus group resulted in distinct findings that reflected the unique experiences of the small business health insurance coverage decision maker, there were a number of common themes that were present across groups (perceptions reflect confusion between the SHOP and Individual Exchange).

Beliefs about the core purpose of the Illinois Health Exchange: Participants generally believed that the Health Insurance Exchange for both individuals and small businesses will provide greater access to health insurance coverage for people who currently struggle with gaining access.

Hopes for Illinois Health Insurance Exchange: Participants universally stated that their ideal hope for the creation of the Exchange is that they can get out of the business of providing health care coverage for their employees. Participants also believed the SHOP will serve to increase health insurance coverage affordability for small businesses.

Fears about the SHOP: Most participants indicated fears that the State of Illinois will be unable to attain the necessary resources to implement such a large scale program for health insurance and will not be able to create the SHOP that will satisfactorily fulfill their needs. They also feared that there will be little or no follow-up service post-purchase from the SHOP, that they will lose their broker, that they will need to spend an increased amount of time learning more about health insurance in order to be able to make informed decisions without their broker, that the Exchange will be overwhelmed with people who have been “dumped” by their employer health plans and that there will be more limited availability of providers for people who use the SHOP.

Preconceived notions/understanding of Health Insurance Exchange: Participants varied widely in their beliefs about who might be using the Exchange. Some believed only individuals will purchase health insurance through the Exchange, while some believed small businesses will purchase coverage

for their employees through the SHOP, while others believed they will be sending their employees to the Exchange to purchase their health insurance, resulting in the ability to remove the business entirely from the transaction. Some participants believed strongly that top-tier companies may choose to send their employees to the Exchange as individuals to purchase insurance and that these decisions will eventually create a ripple effect with all competitive businesses, large and small, and will overwhelm the Exchange.

Assumptions about the Exchange: Most participants assumed that the SHOP will be implemented primarily as a website for purchasing health insurance, but will be supported by skilled staff, both online and on the phone, that will be able to provide assistance with a wide range of questions. Participants often expressed concern about the complexities involved in choosing health insurance and feared that if they use the SHOP, they will be left without their broker to help them walk through the Exchange options.

Assumptions about how small businesses will use their broker after the SHOP is implemented: Most participants indicated a desire, if financially feasible, to continue to maintain a relationship with their broker, citing trust in their knowledge about complex decisions around health insurance. Most indicated they believe their brokers will switch to a consultant role and they will bill clients by the hour, as opposed to the commission/sales structure currently in place. Most participants also indicated a good deal of trust in the knowledge and direction their brokers currently provide and feel apprehensive about the possibility of losing their broker after the implementation of the SHOP.

Motivation and interest in using the SHOP: Interest and motivation typically fell into two categories. 1) Participants were very interested and highly motivated to use and purchase insurance coverage for employees through the SHOP, most often indicating a great deal of hope for the SHOP to take on what they consider the burden of answering employee questions about their health insurance and/or the burden of providing health insurance coverage in general. 2) Participants were also highly suspicious of successfully purchasing health insurance through the SHOP, indicating some reluctant hope for using the Exchange, particularly around the opportunity to remove their business from any involvement in health care coverage for employees.

Most desired services from the SHOP: Participants were provided a handout to indicate preferences for services from the SHOP Exchange (please see section below on “Preferences for Services”). Although participants indicated that all of the services listed in the handout are crucial for the SHOP to provide, virtually all participants indicated a strong preference for, above all other services, receiving clear (they resoundingly emphasized the word “clear”) information about health insurance options for covering employees. Other services frequently indicated as most important were to be guided through the health insurance plan selection process, being able to send employees to the SHOP for answers to their health insurance coverage questions, being able to select from different benefit plan designs (i.e., finding out the value and details of each one), billing and finding out information about the quality of the insurance carrier as well as the quality of health service providers. Beyond these services, they believed that the information most important to find on the SHOP is the cost of coverage, a clear explanation of options, information about the quality of insurance carriers and providers as well as information about geographic provider network match.

Preferences and expectations for payment of services: All participants indicated they believe all services offered on the Exchange will be free, but some indicated they would expect to pay for these services as part of the premiums for coverage.

SHOP as point of purchase: Most participants indicated they either expect to purchase coverage for employees through the SHOP in the future, or they expect to send their employees to the Exchange to purchase their individual insurance. There seemed to be a great deal of confusion and uncertainty about whether employees will be purchasing their own insurance through the Exchange or if the employer will be purchasing the insurance. Participants indicated they were uncertain as to what the SHOP will mean for their responsibilities as employers and whether or not they or their employees might be “forced” to purchase health insurance through the Exchange.

Beliefs about the capacity of the SHOP: Virtually all participants indicated a great sense of doubt that the State of Illinois will be able to satisfactorily implement an Exchange that is easy to use and provides necessary information to make informed choices and enough service to be able to make good health care coverage decisions. Participants believed employee health care coverage decisions are currently extremely complex and frustrating and that because of that complexity, there will be little chance that the State of Illinois could create a process that makes the experience less complex. Participants also feared that the Exchange will be flooded with consumers of health insurance coverage and will ultimately be unable to meet the needs of consumers because of the sheer volume of people who will need coverage through the Exchange.

III. Analysis of Comments and Observations

Appendix D presents the analysis of the focus group findings arranging actual participant comments by the original objectives and by the important themes that emerged.

Appendix A

Illinois Small Business Study: Methodological Report

Prepared by
Isabel Farrar
Karen Retzer

SRL Study 1118

May 7, 2012

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Table of Contents

Overview	31
Study Design	32
Sampling Plan	32
Questionnaire Development and Design	33
Main Study Data Collection	34
Interviewer Training and Hiring.....	34
Field Procedures	34
Sample Management.....	36
Final Disposition of Sample	39
Response Rates.....	40
Data Reduction	41
Data Processing	42
Survey Limitations	42
Focus Groups	44

List of Tables

Table A.1 Number of Cases Purchased by Stratum and Sample Order 33

Table A.2 Sample Set Up by Replicate and Stratum 37

Table A.3 Cases Set Up and Completed by Initial and Confirmed Stratum 38

Table A.4 Final Disposition of Sample 39

Table A.5 Final Sample Numbers and Rates 40

Table A.6 Refusal Conversion Rates: Overall and by Geography 41

Table A.7 Number of Businesses, Number of Completes, and Margin of Area by Sampled Strata44

I. Overview of the Survey

The Survey Research Laboratory (SRL) at the University of Illinois at Chicago (UIC) conducted this telephone survey for Dr. Jonathan Dopkeen of UIC's School of Public Health. SRL also collaborated with Dr. Dopkeen and focus group moderator Alice Virgil in five focus groups.

The Illinois Department of Insurance (DOI) wants the input of small business owners on the proposed Health Insurance Exchange, which will be implemented in 2014. The Small Business Health Options Program (SHOP) Exchange will give employees the option of purchasing health insurance for their employees. Specifically, the objectives of the study are:

- To understand the current ("as is") environment for small business re: their current status and decisions on health benefits, and their understanding of the prospective reforms under the SHOP Exchange.
- To assess and determine what small employers want from the SHOP Exchange, expect for services provided by the SHOP Exchange, and assess the likely factors driving decisions to participate in the SHOP Exchange, all in order to support the design and implementation of the SHOP Exchange.
- To meaningfully engage the recognized associations of small and larger business community in support and conduct of the project to assure that their expectations are met.

The goal of the survey was to complete 600 telephone interviews across twelve strata, based on Illinois region and business size:

Stratum 1: Chicagoland, 1 – 2 employees
Stratum 2: Chicagoland, 3 – 25 employees
Stratum 3: Chicagoland, 26 – 50 employees
Stratum 4: Chicagoland, 51 – 100 employees
Stratum 5: Other urban areas, 1- 2 employees
Stratum 6: Other urban areas, 3-25 employees
Stratum 7: Other urban areas, 26-50 employees
Stratum 8: Other urban areas, 51-100 employees
Stratum 9: All rural areas, 1 – 2 employees
Stratum 10: All rural areas, 3 – 25 employees
Stratum 11: All rural areas, 26-50 employees
Stratum 12: All rural areas, 51-100 employees

The study was funded by DOI with federal establishment funds under the Affordable Care Act (ACA). Isabel Farrar served as the Project Coordinator, with Karen Retzer as Sampling Statistician, David Schipani as Programmer, and Doug Hammer and Marni Basic as Field Coordinators.

The UIC's Institutional Review Board (IRB) protocol number was 2011-1101. The study protocol was approved as an exemption for the telephone survey on December 22, 2011, and for the focus groups on February 6, 2012.

II. Study Design

Sampling Plan

The initial goal of the study was to attain a set number of completed interviews in each of twelve strata defined by geography and number of employees. We divided the counties in Illinois into three geographic regions defined by counties in Chicagoland, counties in non-Chicagoland urban areas, and rural counties². Within each of the three geographic regions, businesses were assigned to strata according to the number of employees it had: 1-2; 3-25; 26-50; and 51-100. At the outset of the study, the goal was to attain 20 completes in each of the strata with 1-2 employees, 46 completes in each strata with 3-25 employees, and 66 completes in all other strata. We purchased D&B sample through Genesys Sampling³. The D&B sample has identifiers that indicate county as well as number of employees as reported by the company. We ordered sample by strata in order to increase the likelihood that the completed cases would be distributed throughout the 12 strata.

The first sample of 2,910 pieces was purchased on December 8, 2011. Because the unit of analysis for this study was the business, we did not remove cases if there were duplicate phone numbers because Genesys indicated to us that some small businesses share phone numbers. Cases with shared numbers were, however, flagged so that the Field staff was aware of the situation when making calls. The productivity of the sample was monitored by stratum, and on January 30, 2012, two-and-a-half weeks into data collection, 800 additional pieces were ordered across five of the strata. Table A.1 shows the distribution across strata of the purchased sample.

² The 102 Illinois counties were divided into three groups as follows: *Chicagoland (6 counties)*: Cook, DuPage, Kane, Lake, McHenry, Will. *Other Urban Counties (13 counties)*: Champaign, DeKalb, Kankakee, Kendall, Macon, Madison, McLean, Peoria, Rock Island, Sangamon, St. Clair, Tazewell, Winnebago. *Rural Counties (83 counties)*: Adams, Alexander, Bond, Boone, Brown, Bureau, Calhoun, Carroll, Cass, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, DeWitt, Douglass, Edgar, Edwards, Effingham, Fayette, Ford, Franklin, Fulton, Gallatin, Greene, Grundy, Hamilton, Hancock, Hardin, Henderson, Henry, Iroquois, Jackson, Jasper, Jefferson, Jersey, Jo Daviess, Johnson, Knox, LaSalle, Lawrence, Lee, Livingston, Logan, Macoupin, Marion, Marshall, Mason, Massac, McDonough, Menard, Mercer, Monroe, Montgomery, Morgan, Moultrie, Ogle, Perry, Piatt, Pike, Pope, Pulaski, Putnam, Randolph, Richland, Saline, Schuyler, Scott, Shelby, Stark, Stephenson, Union, Vermillion, Wabash, Warren, Washington, Wayne, White, Whiteside, Williamson, Woodford.

³ We ordered all variables included in D&B's Enhanced Telemarketing Plus Layout. These included DUNS Number, Business name, address, phone number, number of employees (both total and at the site), name and title of a contact person, SIC numbers and a code to identify the strata that we defined.

Table A.1
Number of cases purchased by stratum and sample order

Number of Employees	Chicagoland	Non-Chicagoland Urban	Rural
	<i>Stratum 1</i>	<i>Stratum 5</i>	<i>Stratum 9</i>
1-2	<i>1st Sample order: 100</i>	<i>1st Sample order: 100</i>	<i>1st Sample order: 100</i>
	<i>2nd Sample order: 0</i>	<i>2nd Sample order: 0</i>	<i>2nd Sample order: 0</i>
3-25	<i>Stratum 2</i>	<i>Stratum 6</i>	<i>Stratum 10</i>
	<i>1st Sample order: 230</i>	<i>1st Sample order: 230</i>	<i>1st Sample order: 230</i>
26-50	<i>2nd Sample order: 0</i>	<i>2nd Sample order: 160</i>	<i>2nd Sample order: 0</i>
	<i>Stratum 3</i>	<i>Stratum 7</i>	<i>Stratum 11</i>
51-100	<i>1st Sample order: 320</i>	<i>1st Sample order: 320</i>	<i>1st Sample order: 320</i>
	<i>2nd Sample order: 160</i>	<i>2nd Sample order: 160</i>	<i>2nd Sample order: 0</i>
	<i>Stratum 4</i>	<i>Stratum 8</i>	<i>Stratum 12</i>

Questionnaire Development and Design

The telephone questionnaire was developed by Dr. Dopkeen and reviewed by SRL Questionnaire Review Committee (QRC). This committee is composed of SRL staff members appointed by the Director to ensure that all questionnaires administered by SRL follow ethical practices and basic principles of questionnaire construction. No instrument is administered to respondents before QRC approval is obtained.

Numerous wording suggestions were incorporated from the QRC comments. Larger design issues were also explored and resolved as a result of the QRC review, specifically in the screening to the interview. For instance, we decided that someone other than the business owner or key representative could do the screening portion. We also made a final decision that owner-only businesses are ineligible, and in the case of two employee businesses (including the owner), that other employee has to be nonrelated to the owner.

After QRC review, the instruments were then programmed for computer-assisted telephone interviewing (CATI) administration by programmer David Schipani and tested by the field section and project coordinator before the data collection began. SRL utilizes the CASES system developed by the Computer-Assisted Survey Methods Program at the University of California-Berkeley, and this survey was programmed in CASES version 5.4. The programming process further refined the questionnaire. Examples of changes incorporated at this point include asking for the number of **full-time Illinois** employees at the first screening question, and defining full-time as 30 hours or more per week. The most complex aspect of the programming was the screener, in particular designing how to prompt interviewers to ask for and select the most appropriate respondent for the interview. Our programmer created two help screens that interviewers could access by pressing a function key: the F4 key is available at any point in the screener and interview and displays all information we have for the listed businesses. The F5 key allows interviewers to record information about new respondents, and also displays text to help interviewers ask for the best person to speak to for the screening and for the interview.

As part of the questionnaire development process, the project coordinator conducted six key informant interviews over the phone with respondents who were identified by Dr. Dopkeen as either experts in the field or good examples of small business owners. Feedback from these key informant interviews was incorporated into the instruments. An example of a crucial change made after an informant interview is changing Q4b from “Can the employee purchase coverage for their dependents at their own expense?” to “Can the employee purchase coverage for their dependents **through your health plan** at their own expense?”

Before interviewer training, the programmed questionnaire was also tested thoroughly by our field coordinator and supervisors. In addition to the QRC process, key informant interviews, and testing feedback, valuable input was also gathered from the DOI, and some of their colleagues.

The questionnaire structure first gathers information on the current state of the business’ coverage situation. It follows a different path programmed from Q1, the question on whether the business currently offers health coverage to employees or not. After those sets of questions, there are scales on how likely the respondent would be to use various services if they were offered by the Exchange, and how important different benefits of the Exchange or factors in health care are to the business representative.

III. Main Study Data Collection

Interviewer Training and Hiring

Interviewer hiring took place in November and December 2011. Interviewer training took place on January 3rd and 4th 2012 (general training) and January 5, 9, and 10th 2012 (study-specific training) with seven interviewers and four supervisors. The first day of study-specific training was attended by Dr. Dopkeen. Training included a general orientation to the design and purpose of the study, instructions on gaining cooperation of the household and the respondent, a question-by-question review of the survey instrument (with instructions on how to record answers and how to probe), and practice interviews with all instruments.

To add to our staff, we held another training with three interviewers from our Urbana office telephone center on February 8 and trained three more Chicago interviewers on February 15, 2012.

Field Procedures

This study did not involve a pretest due to the study schedule. Our data collection period was originally scheduled for seven weeks, but was extended in order for us to reach our goal of 600 completed interviews, so it actually lasted nine and one-half weeks. Data collection started on January 11, 2012 and ended March 16, 2012, with a total of 607 completed interviews. Since this was a business study, the telephone interviewing was conducted on weekdays (from 9 am to 5 pm). We did hold three Saturday shifts over the course of our data collection period, but after the first one they did not prove to be overly productive. A weekly evening shift, however, did yield some successful contacts with owners who requested appointments after 5 pm.

We did up to 20 contact attempts before finalizing a case as a non-contact, although cases with fewer than ten attempts were prioritized (and later moved to a queue that we did not call). Our average number of contact attempts was 4.4. (This includes cases where we would only do a small number of

attempts, such as un-locatable businesses, ineligible, and refusals; as well as cases where we called the case many more times. Our average number of contact attempts for cases who eventually completed the interview was also 4.4. For completed interviews, the number of attempts ranged from 1 to 22.) If a known business owner refused to participate in the interview, we made that case a final refusal with no conversion attempts. If someone other than the business owner refused, or if we did not know whether the refusing respondent was the owner or not, we did make two conversion attempts. These refusal conversion attempts proved to be quite successful, perhaps because we were sometimes able to reach another informant or respondent to consider participation. Twelve percent (72) of our completed interviews were initial refusals.

The telephone interview averaged 17 minutes, and was conducted in English only. We identified a partial cut-off point right before Q25a, the start of the planning series, which means that the interview would have been included in the survey results. However, no prematurely terminated interview got to that point of being included as a partial completes.

Throughout the study, all interviewers were monitored during at least ten percent of the time spent interviewing. Monitoring consisted of a supervisor watching the screen (a remote screen) and listening in on the conversation of the interview. All interviewers were monitored within the first week of the study to enable us to catch problems early. If an interviewer was having difficulty, monitoring was increased, or the interviewer was removed from the study.

In advance of calling each sample replicate, we sent an advance letter to each business. The letter was addressed to the listed contact name if we had one in the sample file, or to "Dear Business Owner or President", if we did not have a listed name. The letter included a link to the DOI website, which mentioned the survey, and also included the SRL project coordinator e-mail address. Providing an e-mail address worked well, as a number of respondents contacted us to provide us with the best contact person at the business.

We created a voicemail script approximately two weeks into data collection, and started leaving voicemail messages on the fifth contact attempt. The hope was that this would help with cases where we were being repeatedly sent to voicemail.

We realized early in the data collection process that the smallest business sizes (one to two employees) were very difficult to fill. This was in part due to the way the eligibility criteria was finalized during questionnaire development: since the employee count included the owner one employee businesses would be ineligible and two employee businesses were ineligible if the other employee was related to the owner (as were 28 cases). These very small businesses were also understandably harder to reach and locate (some of the unable to locate cases were probably closed businesses, as a business with one or two employees might be more likely to go out of business). For this reason we decided to combine these strata with the 3-25 employee strata. Thus strata 1 and 2, 5 and 6, and 9 and 10 were combined in terms of our target completion goal (66).

We set a variety of "case priorities" during data collection to maximize completions, to manage sample between both field centers, and to increase completions in strata where we were lagging behind. Appointments and fresh cases were always attempted first, but after those queues we experimented with the order with good results. For instance, we prioritized re-try cases in the "30-disposition series" (no answers, voice-mails, respondent not available) for a period of time since those cases were not being called as much we had wished to ensure the sufficiency of drawn sample. We also occasionally prioritized strata (Stratum 4 in particular) where progress was slower than desired.

A main study in-progress debriefing was held on January 18 with the four supervisors. Examples of questions that we brought to Dr. Dopkeen were businesses where unions handled the health coverage and cases where we were being referred to parent or corporate companies.

Another issue we discussed was the need for interviewers to be flexible in the first several introduction screens. Since every situation was different in terms of what situation the business was in and who the best person would be to conduct the interview with, we could not script something that worked for every case.

The biggest issue regarding the rates for this study was more ineligible cases than we expected because the business had more than 100 full-time Illinois employees (disposition code 71). In many of these cases, we were referred to corporate, a parent company, a sister company, etc. since that other entity was responsible for the health coverage decisions for the listed business. For example, many schools referred us to a larger district or board, churches sometimes referred us to a diocese, chains such as McDonalds or Culvers (even if they were franchises) referred us to corporate. Since this situation happened so often we created a separate disposition code, 74, to capture how many times we were referred elsewhere and then the business screened out for having too many employees. We finalized 185 code 74s during the course of data collection. The lesson learned for future studies may be that there seems to be a difference between what the Dun & Bradstreet sample file defines as a single business or headquarters of a multi-site business, and how health coverage decisions operate (these decisions were often made at a higher level).

We also encountered a small number of businesses who told us that their employees were covered by a union. After discussion with Dr. Dopkeen, we asked such businesses if **any** of the employees (i.e. owner, receptionist) were non-union. If yes, we continued with the screener and interview but otherwise made the case ineligible.

We dispositioned 326 cases as unable to locate (disposition code 57). Although many of these were probably businesses that had closed, we did not have the information to disposition as such. In 47 cases we did have proof that the listed business had closed (disposition 87).

Our interview respondent turned out to be the business owner or president 28.3% of the time. It was more common that businesses requested that we do the interview with someone else in the organization who was most familiar with the health care coverage details.

Sample Management and Rates

Sample was set up for calling at four different times during the study. The first, replicate 1, with 1,455 cases was set up before data collection started on January 11, 2012; Replicate 2 with 1,190 cases was set up on January 30; Replicate 3 with 300 cases was set up on February 8, and Replicate 4, with 500 cases was set up on February 14. Table A.2 shows the number of pieces of sample that were set up in each replicate by stratum. A total of 3,445 pieces of sample were setup for calling in this study.

Table A.2
Sample setup by replicate and stratum⁴

Number of Employees	Chicagoland	Non-Chicagoland Urban	Rural
	<i>Stratum 1</i>	<i>Stratum 5</i>	<i>Stratum 9</i>
1-2	<i>Rep1: 50</i>	<i>Rep1:50</i>	<i>Rep1:50</i>
	<i>Rep2: 0</i>	<i>Rep2: 0</i>	<i>Rep2: 0</i>
	<i>Rep3: 0</i>	<i>Rep3: 0</i>	<i>Rep3: 0</i>
	<i>Rep4: 0</i>	<i>Rep4: 0</i>	<i>Rep4: 0</i>
	<i>Total: 50</i>	<i>Total: 50</i>	<i>Total: 50</i>
	<i>Stratum 2</i>	<i>Stratum 6</i>	<i>Stratum 10</i>
3-25	<i>Rep1: 115</i>	<i>Rep1: 115</i>	<i>Rep1: 115</i>
	<i>Rep2: 115</i>	<i>Rep2: 115</i>	<i>Rep2: 0</i>
	<i>Rep3: 0</i>	<i>Rep3: 60</i>	<i>Rep3:0</i>
	<i>Rep4: 0</i>	<i>Rep4: 70</i>	<i>Rep4: 0</i>
	<i>Total: 230</i>	<i>Total: 360</i>	<i>Total: 115</i>
	<i>Stratum 3</i>	<i>Stratum 7</i>	<i>Stratum 11</i>
26-50	<i>Rep1: 160</i>	<i>Rep1: 160</i>	<i>Rep1: 160</i>
	<i>Rep2: 160</i>	<i>Rep2: 160</i>	<i>Rep2: 160</i>
	<i>Rep3: 60</i>	<i>Rep3: 60</i>	<i>Rep3: 0</i>
	<i>Rep4: 140</i>	<i>Rep4: 80</i>	<i>Rep4: 0</i>
	<i>Total: 520</i>	<i>Total: 460</i>	<i>Total: 320</i>
	<i>Stratum 4</i>	<i>Stratum 8</i>	<i>Stratum 12</i>
51-100	<i>Rep1: 160</i>	<i>Rep1: 160</i>	<i>Rep1: 160</i>
	<i>Rep2: 160</i>	<i>Rep2: 160</i>	<i>Rep2: 160</i>
	<i>Rep3: 60</i>	<i>Rep3: 60</i>	<i>Rep3: 0</i>
	<i>Rep4: 140</i>	<i>Rep4: 70</i>	<i>Rep4: 0</i>
	<i>Total: 520</i>	<i>Total: 450</i>	<i>Total: 320</i>
	<i>1,320</i>	<i>1,320</i>	<i>805</i>

Early in data collection it became clear that we would not attain the goal of 20 completed interviews in the strata with 1-2 employees. The goal was thus revised to complete 66 interviews in the combined strata that have 1-2 and 3-25 employees.

Due to differences in number of employees reported in the original sample file and the number reported during interviews, some cases that were originally assigned to one stratum ended up belonging to another. Table A.3 shows the number of cases set up by *initial* stratum number, completes by *initial* stratum number, completes by the *actual* stratum number, the goal number of completes, the percentage of goal completes we attained, and a record of the initial stratum from which the complete cases originated.⁵

⁴ Case ids were assigned based on the strata the cases belonged to in the sample file:

1st digit=Region (1=Chicagoland; 2=Non-Chicagoland Urban; 3=Rural)

2nd digit=Employee size (1=1-2 employees; 2=3-25 employees;3=26-50 employees; 4=51-100 employees.)

⁵ For six strata (all those with 26-50 or 51-100 employees), more interviews came from sample purchased for that stratum than from any other strata. For the three strata with 3-25 employees, more completes came from strata where more employees were reported.

Table A.3
Cases set up and completed by initial and confirmed stratum

Initial Strata in Sample File			Confirmed Strata			
Stratum (as setup) (1)	# setup (2)	# Completes (3)	# Completes (4)	Goal (5)	% of Goal attained (6)	Where completes originated (7)
1: Chicago, 1-2	50	1	8	66	110.6%	6 from sampled stratum 2 1 from sampled stratum 3 1 from sampled stratum 4
2: Chicago, 3-25	230	23	65			15 from sampled stratum 2 38 from sampled stratum 3 11 from sampled stratum 4 1 from sampled stratum 8
3: Chicago, 26-50	520	85	67	66	101.5%	2 from sampled stratum 2 35 from sampled stratum 3 30 from sampled stratum 4
4: Chicago, 51-100	520	90	60	66	90.9%	1 from sampled stratum 1 11 from sampled stratum 3 47 from sampled stratum 4 1 from sampled stratum 6
5: Other Urban, 1-2	50	4	10	66	113.6%	2 from sampled stratum 5 5 from sampled stratum 6 3 from sampled stratum 7
6: Other Urban, 3-25	360	32	65			2 from sampled stratum 5 23 from sampled stratum 6 31 from sampled stratum 7 9 from sampled stratum 8
7: Other Urban, 26-50	460	71	65	66	98.5%	1 from sampled stratum 6 32 from sampled stratum 7 31 from sampled stratum 8 1 from sampled stratum 12
8: Other Urban, 51-100	450	99	64	66	97.0%	2 from sampled stratum 6 5 from sampled stratum 7 57 from sampled stratum 8
9: Rural, 1-2	50	1	7	66	109.1%	3 from sampled stratum 10 2 from sampled stratum 11 2 from sampled stratum 12
10: Rural, 3-25	115	21	65			1 from sampled stratum 9 16 from sampled stratum 10 34 from sampled stratum 11 14 from sampled stratum 12
11: Rural, 26-50	320	93	66	66	100.0%	46 from sampled stratum 11 20 from sampled stratum 12
12: Rural, 51-100	320	87	65	66	98.5%	1 from sampled stratum 4 1 from sampled stratum 8 2 from sampled stratum 10 11 from sampled STID 11 50 from sampled STID 12
Total	3,445	607	607	600⁶	101.2%	607

⁶ The minimum goal for each of the 9 categories as shown was 66. The overall goal of 600 completes meant that interviewers would need to complete more than 66 interviews in some of the cells.

Final Disposition of Sample

Table 4.A
Final Disposition of Sample

Code	Disposition	Number	Percent
(1)	Interview completed	607	17.62%
(30)	No answer/busy	52	1.51%
(31)	Answering machine/answering service	250	7.26%
(32)	Eligible respondent not available	77	2.24%
(33)	Unscreened respondent not available	570	16.55%
(40)	Final refusal before screener completed	392	11.38%
(41)	Final refusal, interview	76	2.21%
(44)	“Do not call” refusal, unscreened	5	0.15%
(55)	Not able to interview during survey period	129	3.74%
(56)	Never able to interview	10	0.29%
(57)	Unable to locate ⁷	326	9.46%
(60)	Other eligible	1	0.03%
(71)	Ineligible, zero, one, or over 100 employees in Illinois	441	12.80%
(72)	Ineligible, relation status	28	0.81%
(73)	Ineligible, cell shutdown (target met)	198	5.75%
(74)	Ineligible, referred elsewhere and over 100 employees	185	5.37%
(85)	Deceased	1	0.03%
(87)	Business is closed	47	1.36%
(88)	Ineligible foreign language	6	0.17%
(89)	Final duplicate	20	0.58%
(90)	Other ineligible, including all union employees	24	0.70%
	TOTAL	3,445	100.00%

⁷ It is likely that many of the cases that are coded (57) ‘unable to locate’ are actually businesses that have been closed (87), however, we are unable to confirm this.

Table A.5
Final Sample Numbers and Rates

	Number	Rate
Total sample	3,445	
Nonduplicates	3,425	99.4%
Businesses	3,378	98.6%
Contact to screener	3,076	91.1%
Cooperation to Screener	1,644	53.4%
Eligible	761	46.3%
Contact to final	683	89.8%
Cooperation to final	607	88.9%
Response rate 3		38.8%
Refusal rate		16.6%
Cooperation rate		70.0%

Response Rates

The *response rate* is the proportion of the eligible respondents who completed the interview. The American Association of Public Opinion Research’s (AAPOR) *Standard Definitions*⁸ includes six different methods for calculating response rates. This sampling report describes the calculation of response rate number 3 (RR3) in detail.⁹ In RR3, the numerator includes completed interviews, while the denominator includes interviews, refusals, noncontact of eligible respondents, and a proportion of households whose eligibility status is unknown.

In the overall sample, there were 1,682 cases for which a screening questionnaire could not be administered (contact to screener minus cooperation to screener plus answering machines). We assumed that 46.3% of these cases would have been eligible. In another 52 cases, the phone rang continuously at each contact attempt and was never answered. We assumed 100.0% of those were working numbers, 98.6% were operating businesses, and 46.3% were eligible. Consequently, the total number of cases with assumed eligibility is estimated as 46.3% of 1,682 (779) plus 45.7% of 52 (24 cases). Thus, the response rate is computed as the ratio of 607 (from [Table A.6]) completed interviews to the sum of the cases known to be eligible (761) and the estimated number of eligible cases among the cases of unknown eligibility (803). The resulting response rate is 38.8%.

The *refusal rate* is the proportion of the eligible respondents who either refused to complete an interview or who broke off an interview. AAPOR’s *Standard Definitions* includes three different methods for calculating refusal rates. This sampling report uses refusal rate number 2 (p. 39). In this rate, the

⁸ The American Association for Public Opinion Research. 2011. *Standard Definitions: Final Dispositions of Case Codes and Outcome Rates for Surveys. 7th edition*. AAPOR.

⁹ Response Rates 1 (RR1) and 5 (RR5) are included here to show the variation in what researchers might report as a response rate for this study. RR 1 and RR5 have the same numerator as that for RR3—the number of completed interviews. RR1 and RR5 differ from RR3 because they make different assumptions about what is in the denominator of the ratio. RR1 is the most conservative (i.e., lowest) response rate and RR5 is the highest. While RR3 includes a *portion* of the cases for which eligibility is unknown, RR1 includes *all* of the cases for which eligibility is unknown and RR5 includes *none* of the unknown eligible cases. RR1 for this study is 24.3%; RR5 is 79.8%.

numerator includes refusals (actual refusals of eligible respondents plus a proportion of refusals of households whose eligibility is unknown); the denominator is the same as that of response rate 3 described above. Therefore, the total number of refusals is those who refused after screening, 76 (disposition 41), plus 46.3% of the 397 who refused prior to screening (dispositions 40 and 44), for a total of 260 refusals. The refusal rate is 16.6%.

The *cooperation rate* is the number of completed interviews divided by the number of completed interviews plus the number of refusals. *Standard Definitions* includes four different methods for calculating cooperation rates. This sampling report uses cooperation rate number 4 (p. 38). The cooperation rate is 70.0%.

Table A. 6
Refusal Conversion Rates, overall, and by geography

Refusal Rate	Overall	Chicagoland	Non_Chicagoland	Rural
	# and %	# and %	Urban	# and %
Rate A-1: Percent of completed interviews that ever refused	71/607 (11.7%)	13/199 (6.5%)	34/206 (16.5%)	24/202 (11.9%)
Rate B-1: Percent of eligible refusals that turned into a completed interview	71/556 (12.8%)	13/243 (5.3%)	34/183 (18.6%)	24/130 (18.5%)
Rate C-1: Percent of all refusals that turned into a completed or partially completed interview, or were determined to be ineligible	171/656 (26.1%)	46/276 (16.7%)	67/216 (31.0%)	58/164 (35.4%)

Note: Eligible refusals for Rate B-1 include all refusals for which respondent is known to be eligible, and all refusals for which eligibility is unknown.

Weights have not been calculated for this study. Because each of the twelve strata was selected from a distinct population and the sample is not weighted, the data should not be analyzed together. Instead data within each stratum can be analyzed and compared with the results of other strata.

Data Reduction

One aspect of data reduction of the telephone interview data was the processing of all text answers to survey items. On items with an “other-specify” response option, interviewers sometimes entered a text response that could be changed later to one of the pre-coded response options. All the other-specify responses were reviewed by the field manager and project coordinator after data collection was complete. The changes were then made by the SRL Data Reduction section in a process we call “back-coding.”

Several weeks into data collection, as a result of reviewing the other-specify responses, we clarified with Dr. Dopkeen that Q9, “Do you have staff dedicated to benefit operations” could be coded as “yes” if the business had a staff member who handle operations as **part or all** of his or her job. We also added some response categories to Q10 (Respondent Non-Owner/President; Bookkeeper / Controller / Treasurer / Chief Financial Officer; Human Resources; Manager / Office Manager / General Manager) and Q11 (Owner or President; Respondent Non-Owner/President; Bookkeeper / Controller / Treasurer / Chief

Financial Officer; Human Resources; Manager / Office Manager / General Manager). These additional response categories were added to the telephone instrument on February 2 and 3, 2012.

Also as a result of back-coding review, the data reduction section added two response categories to Q3f: <3> life insurance and <4> disability. These codes were not added to the telephone instrument, just to the data cleaning instrument and dataset.

The Data Reduction section was also responsible for producing an edited text file of all the “other-specify” and open-ended variables as a deliverable at the end of the survey.

Data Processing

The SRL Office of Survey Systems checked and cleaned the data to ensure that any illegal answers were caught and corrected. Three preliminary datasets were delivered to Dr. Dopkeen during the data collection period. A final data set and SAS setup file was delivered on March 28, 2012.

IV. Survey Limitations

Four potential sources of error must be considered in any survey, including coverage, non-response, measurement error, and sampling error. Each of these is briefly discussed.

Coverage Error

Coverage error can occur when members of the population of interest are not included in the sampling frame. When this omission is random and those included are no different from those who are excluded, coverage error is not a problem. When those who are omitted differ in ways related to the primary variables of interest, coverage error leads to bias. For this study, the sample was drawn from companies listed in the Dun and Bradstreet database that had reported the total number of employees. We know that approximately 11% of companies do not report a total employee size; thus they were not included in the sample frame. We do not anticipate that the companies who did not report a total number of employees would differ from those that did in ways related to the variables in this study. Therefore, coverage error is probably very limited in this study.

Non-Response Error

Similarly, non-response is only a problem when the respondents are different from non-respondents in ways related to the dependent variables of interest. The overall response rate for this study is **38.8%**. If the **61.2%** of the sample who did not respond are substantially different with regard to insurance coverage, then the outcome of the survey could be biased.

Measurement Error

In addition to coverage and nonresponse bias, numerous sources of measurement error may influence results. For example, question wording, the ordering of questions within the instrument, and the mode of data collection (i.e., telephone vs. face-to-face vs. self-administered surveys) each may affect data quality and should be considered when interpreting survey results. None of these forms of potential measurement error can be definitively eliminated. However, we have attempted to minimize error

associated with the design of the survey instrument through careful instrument reviews by our Questionnaire Review Committee (QRC) and key informant interviews.

Sampling Error

Sampling error is a result of calculating a statistic based on a sample of the population rather than the entire population. It is not an indicator of flaws in the sample design but is a measure of variation. This study is made up of twelve distinct randomly selected samples pulled from twelve populations defined by geography (Chicagoland, non-Chicago Urban, and Rural) and employee size (1-2; 3-25; 26-50; and 51-100 employees). Each random sample of businesses is one of many samples that could have been drawn from the population in each stratum. Each sample of businesses that could be drawn would provide an estimate of a statistic (e.g., percent of businesses that include dental insurance in their insurance coverage). The sampling error (or standard error) is the amount of variation in the statistic among all potential samples. In its simplest form it is equal to the sample standard deviation divided by the square root of the sample size.

The standard error varies directly with the sample size—the larger the sample size, the smaller the standard error. In complex sample designs that use clustering or disproportionate stratification, the standard error will increase relative to that of a simple random sample.

Many basic statistical software packages assume simple random sampling when calculating statistics. As a consequence, the estimates of standard errors used in significance tests are too low, resulting in researchers overstating the significance of their results. Analyses of data collected with a complex sample design should be conducted with software packages that can incorporate the sample design into the analysis (e.g., Stata, SUDAAN).

The sample from this study was selected randomly within each of the twelve strata. Therefore, a basic software package can be used to analyze the data within each of the strata and the estimates of the standard errors will be accurate. The data from different strata should not be combined and analyzed together, but should be analyzed alone and compared with results from other strata.

There is no one single standard error for a survey. It varies from item to item. For example, if one variable is measured as a proportion with 50% of the sample answering “yes” and 50% answering “no,” it will have a different standard error from a variable in which 80% of the sample answers “yes” and 20% answer “no.” Standard errors reported in media polls are usually reported for a proportion with a conservative 50/50 distribution. Survey researchers normally use a 95% Confidence Interval (CI), which includes 1.96 standard errors. As an example, for this study, the margin of error for sample in the Chicagoland/51-100 employees is plus/minus 10.2 percentage points. Table A.7 below shows the margin of errors for nine of the twelve strata.¹⁰

¹⁰ Due to the very small number of completes for businesses with 1-2 employees, margin of errors have not been calculated for those three strata.

Table A.7
Number of businesses, number of completes, and margin of area, by sampled strata

Employee Size		Chicagoland	Non-Chicago Urban	Rural
3-25	Businesses	128,741	32,925	34,525
	Completes	23	32	21
	Margin of error	+/- 20.6	+/- 17.2	+/- 21.6
26-50	Businesses	8,062	2,038	1,789
	Completes	85	71	93
	Margin of error	+/- 10.6	+/- 11.4	+/- 9.9
51-100	Businesses	4,257	1,011	938
	Completes	90	99	87
	Margin of error	+/- 10.2	+/- 9.3	+/- 10.0

V. Focus Groups

Five focus groups were conducted on February 28, March 1, March 2, March 8, and March 9, 2012. The March 1 group was held in Springfield and the others in Chicago at SRL's office. The sessions were audio-recorded. Alice Virgil moderated each session and provided a summary report to Dr. Dopkeen.

Appendix B

Focus Groups Methodology

The project consisted of four focus groups with three to seven participants per group and one individual interview. All of the groups were held during the months of February and March, 2012 in Chicago, with the exception of one group held in Springfield, Illinois. The groups were conducted by a licensed clinical social worker, who is an experienced focus group moderator. Both the facilitation and analysis of the groups were done by the moderator.

Recruiting efforts were originally targeted to recruit group participants based on the size of the business, as well as from the one-fifth of telephone survey respondents who expressed interest in follow-up participation in subsequent focus groups. Recruitment of participants was extremely challenging; the original plan called for use of volunteer recruiters and two interested business organizations for the majority of the initial efforts around recruiting, supplementing the interested survey respondents, principally in the northern portion of the State. Those respondents were ultimately too dispersed through the state to provide concentrations to support those interviews. This initial recruiting strategy led to challenges with communication to the target group participants and resulted in a low response rate. Although recruiters at the UIC SRL subsequently took on the recruiting role, the original inability to recruit participants led to extremely tight timelines for recruiting and scheduling, resulting in problems with participant availability and lower but sufficient participation rates for most of the groups. Even so, these groups provided rich discussions with a wealth of information for the study. The participants represented a wide range of businesses and represented a variety of valuable perspectives for the study—from small business owners to a broker/consultant and to benefits directors within small businesses. Participants were ultimately not screened for size to help increase potential participation. In an effort to address adequate representation and participation due to long distances/travel times for participants, groups were held in both Chicago and in Springfield to ensure downstate participants had the chance to participate. The following focus groups were completed as a result of this study:

1. Small business owners/benefits decision makers – Chicago (7 participants)
2. Small business owners/benefits decision makers – Springfield (4 participants)
3. Benefits decision makers – Chicago (3 participants)
4. Benefits decision makers – Chicago (2 participants)
5. Individual Interview with one-person business owner – Chicago (1 participant)

Each individual signed a consent form to participate in the focus group and was provided with an explanation of the understanding that comments made in the discussion could be used in reports, but that the comments would not be attributed directly to any individual participating in the discussion. Therefore all comments are without attribution.

Focus Group Topics

The focus groups followed a detailed protocol that included specific topic areas to be discussed and included prompting questions to be used by the moderator to guide the discussion. The moderator developed these topics based on the key objectives of the study, developed jointly between the UIC School of Public Health, DOI and the moderator. The use of a protocol to guide the focus groups allowed for better comparison of findings across groups.

Data Collection

The groups began with group participant descriptions and opinions of employer sponsored health insurance coverage, relevant concerns in making decisions for coverage and current understanding of the function and purpose of the future Illinois Health Insurance Exchange. Working with the moderator, the participants generated their general understanding of the future Illinois Health Insurance Exchange and how or if they anticipate using the SHOP Exchange. This was followed by discussions of participant perceptions of the future SHOP Exchange, participant assessments of the importance of potential services that may be offered by the SHOP Exchange, and preferences for what DOI could do to best communicate information throughout and after implementation of the SHOP Exchange. The groups concluded with an exploration of perceptions regarding the potential costs for consumers of the SHOP Exchange services, a request for preferences in future communication and suggestions for making the experience of using the SHOP Exchange the best it can be to meet small business consumer needs.

Analysis and Reporting

The moderator's notes and tape recordings served as the basic data. The moderator consolidated the data from the different groups to create the final report.

Appendix C

Likelihood-of-Use of Potential SHOP Services

Figure C.1: Find Clear Information about Your Health Insurance Options

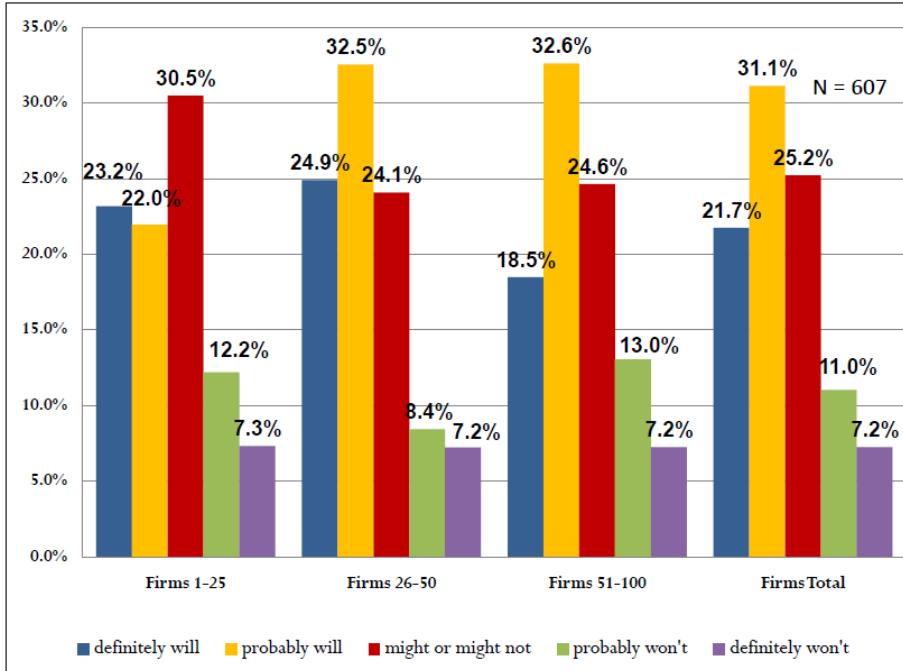


Figure C.2: Select from Different Benefit Plan Designs

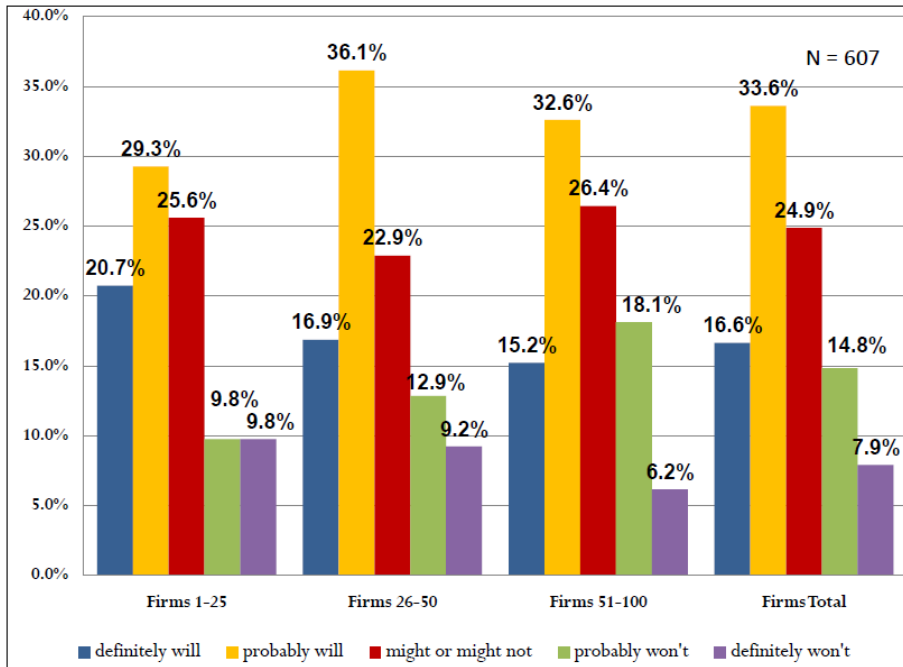


Figure C.3: Determine Which Insurance Plans Provide the Best Geographic Provider Network Match

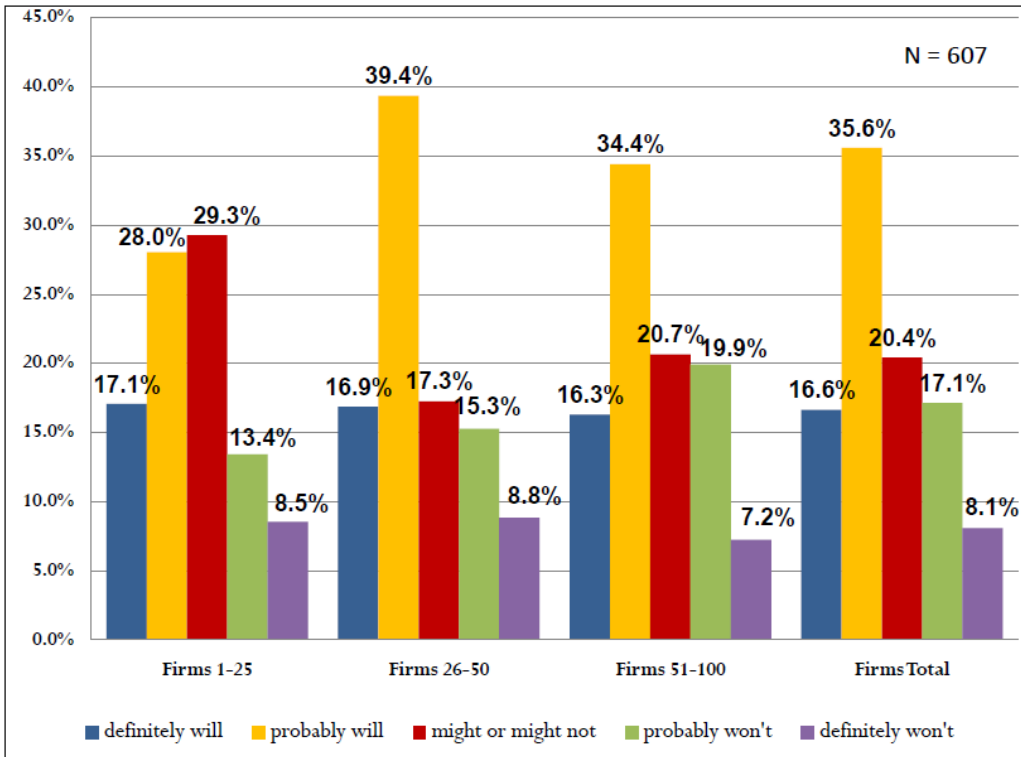


Figure C.4: Be Guided Through the Selection Process

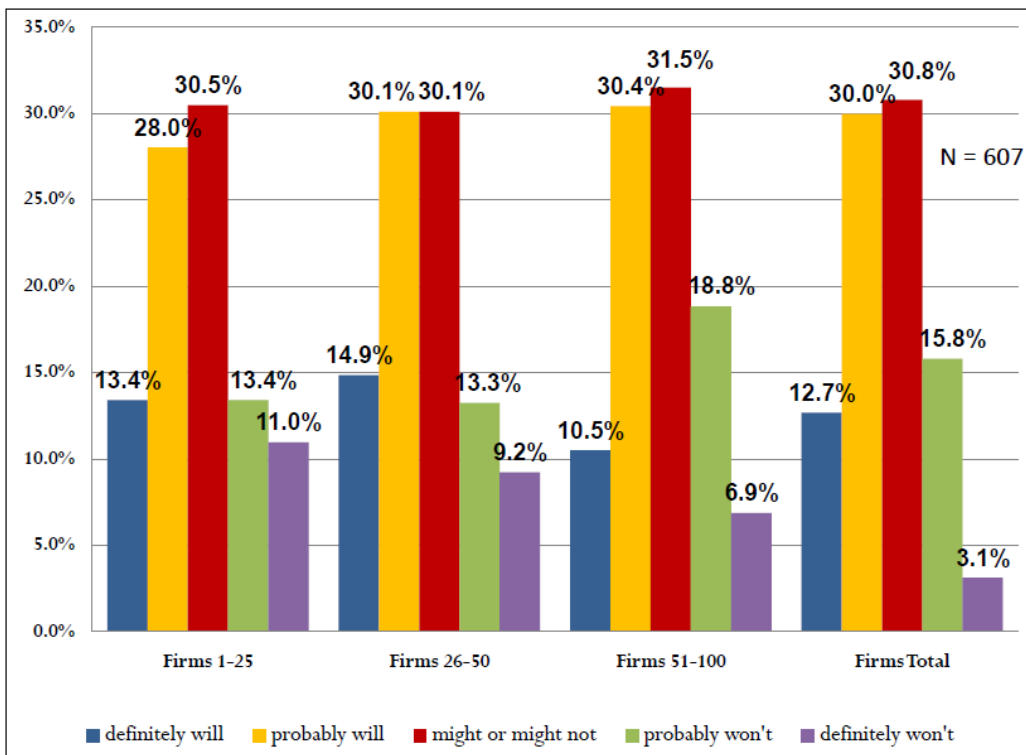


Figure C.5: Calculate the Premium Cost to Cover Your Employees

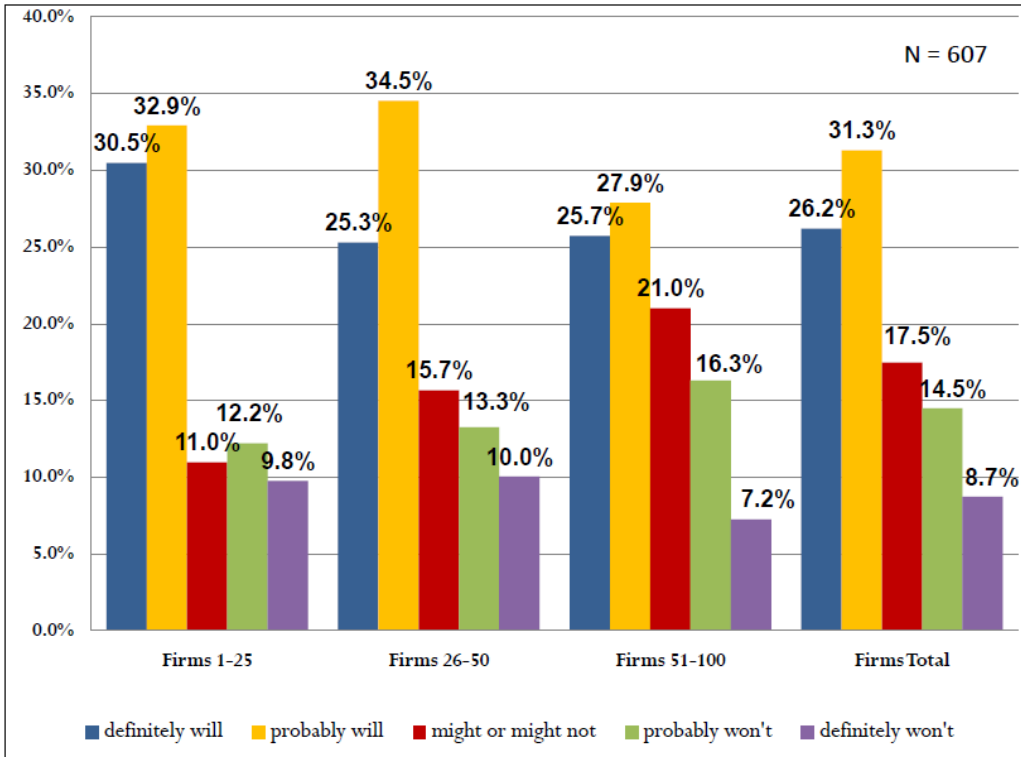


Figure C.6: Calculate the Financial Penalties of Not Covering Employees

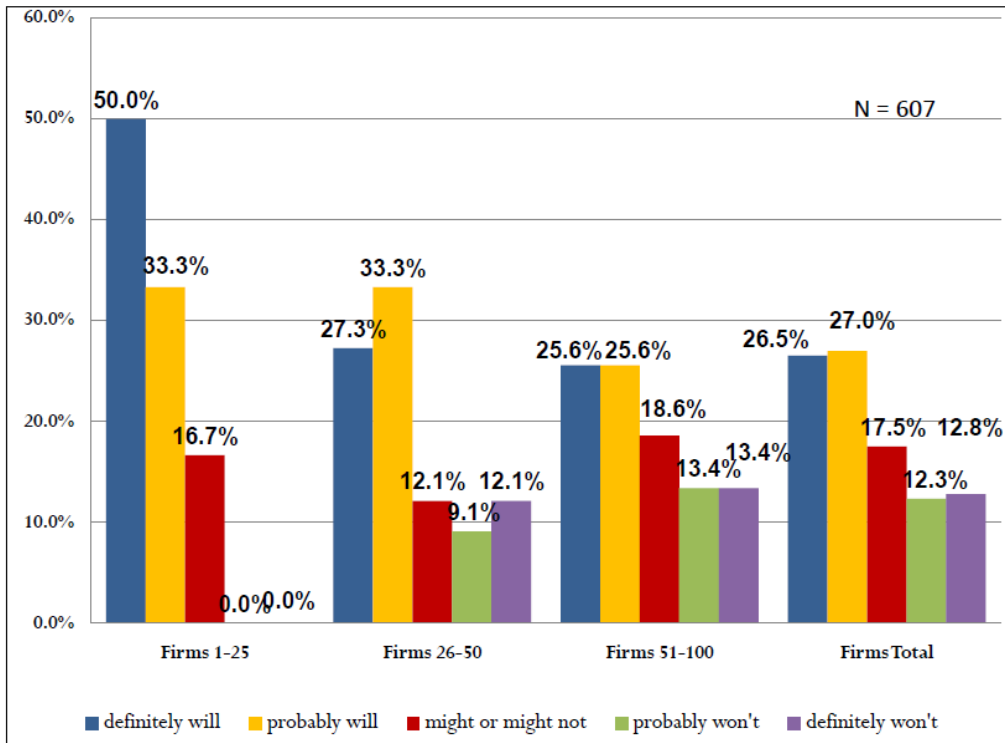


Figure C.7: Determine Availability of Benefits Not Mandated

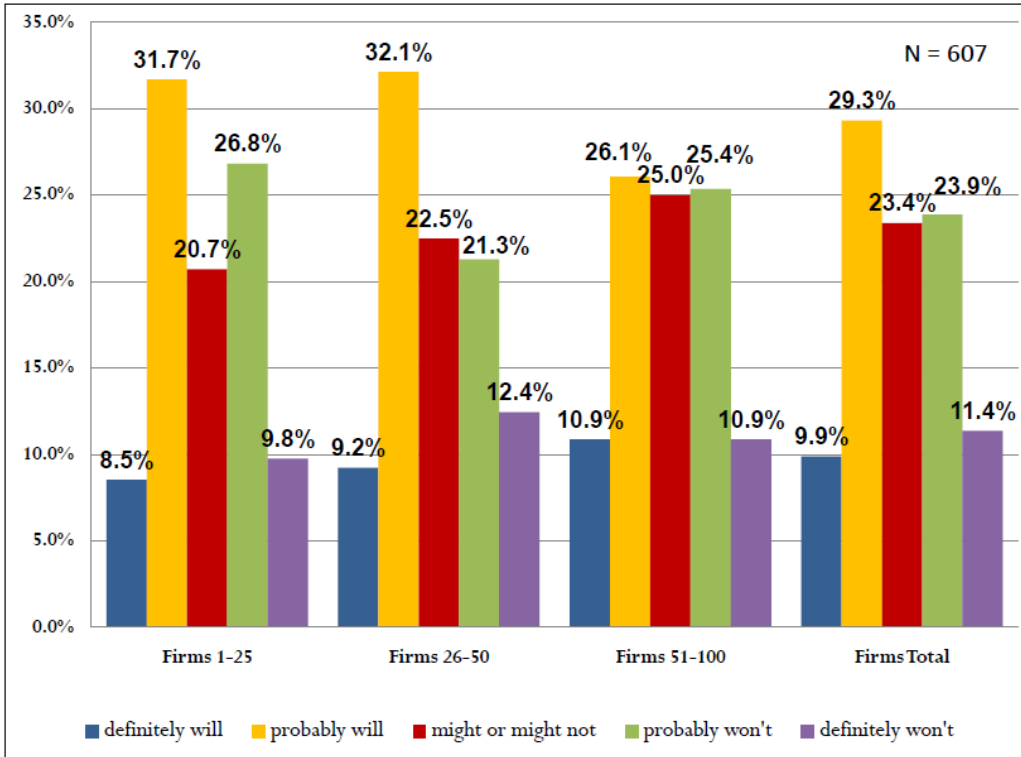


Figure C.8: Determine the Costs of Benefits Not Mandated

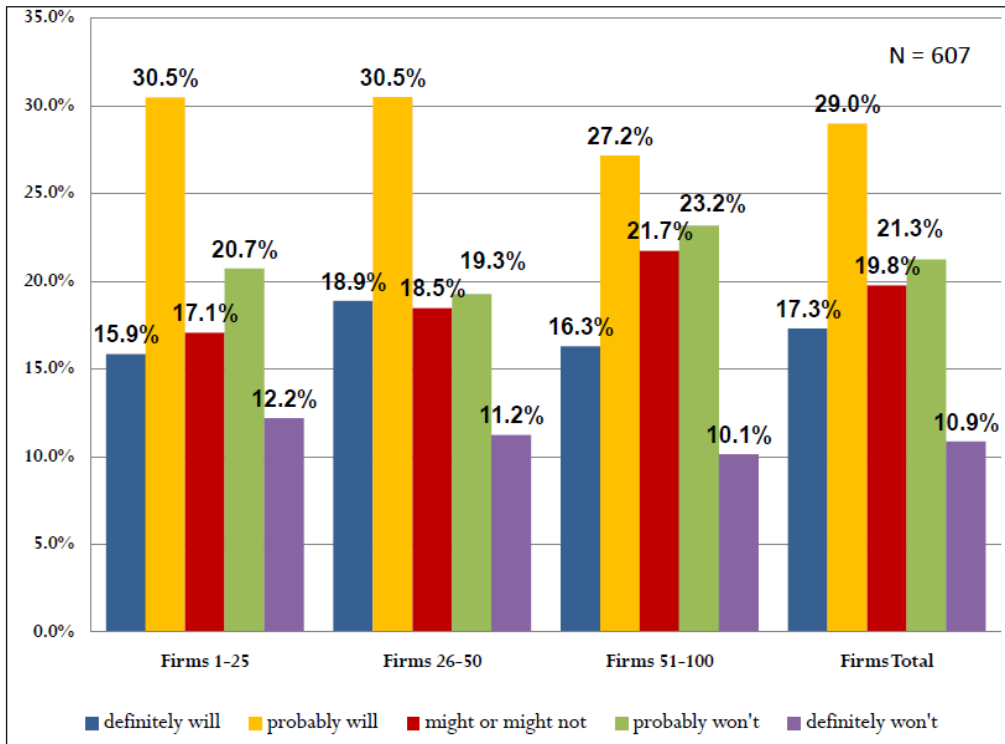


Figure C.9: Have the Exchange Combine Your Full Premium, Bill You and Pay Plans

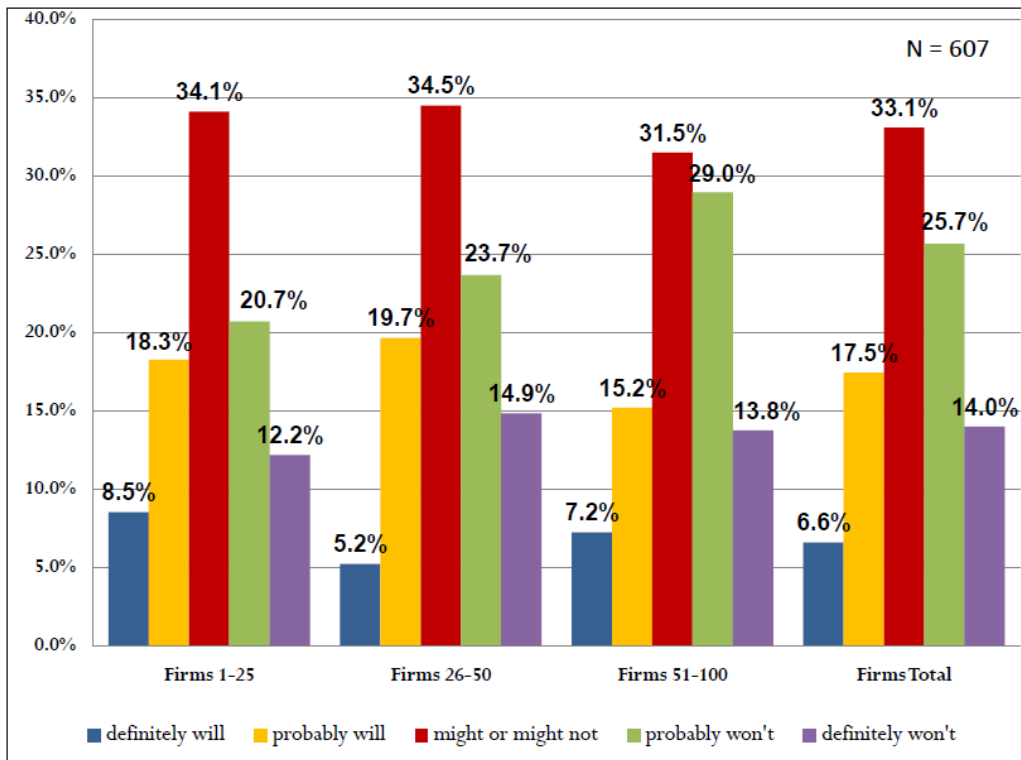


Figure C.10: Having the Exchange Answer Your Employees Benefits Questions

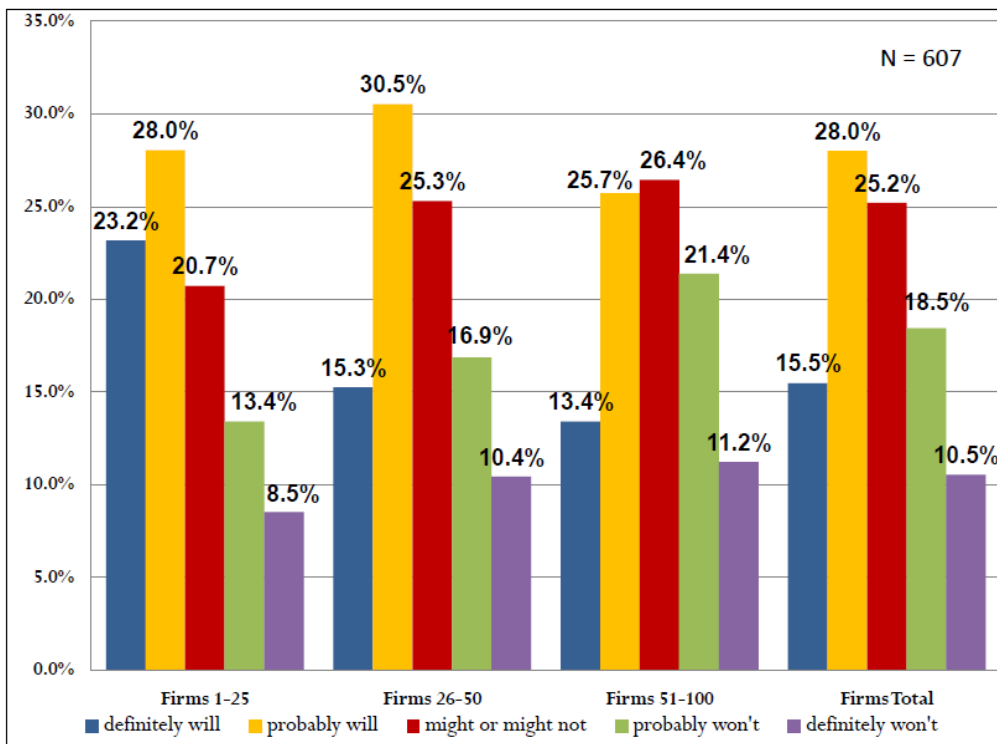


Figure C.11: Access a Directory of Brokers and Advisors

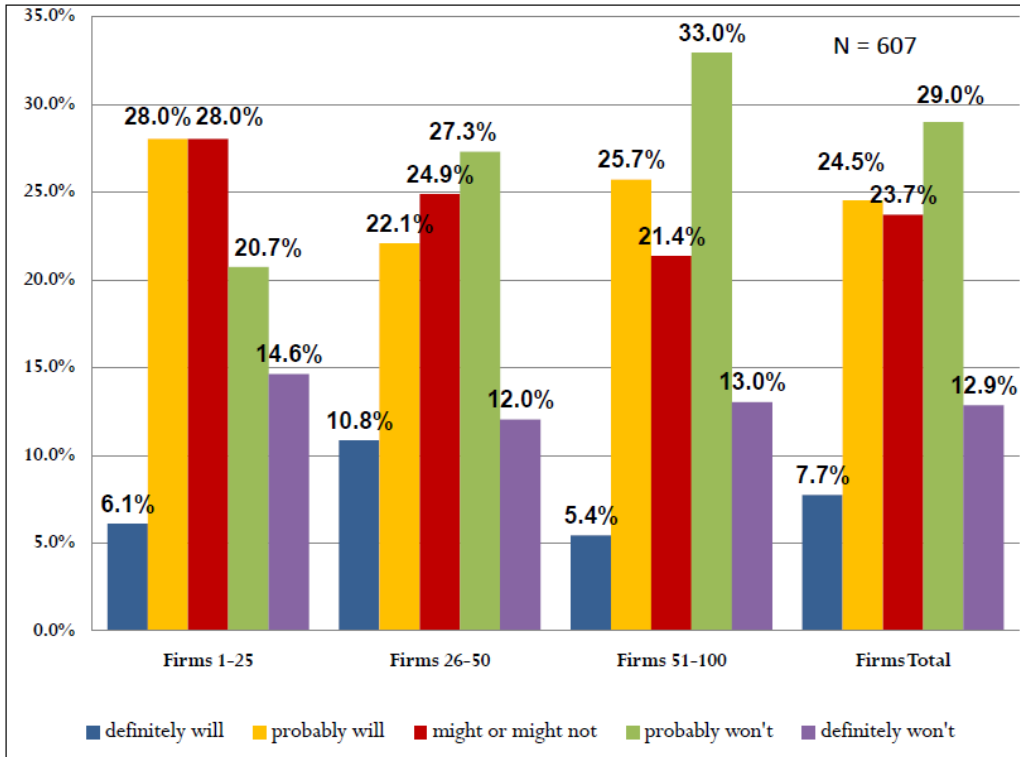


Figure C.12: Be Able to Make Selections Directly Through the Exchange

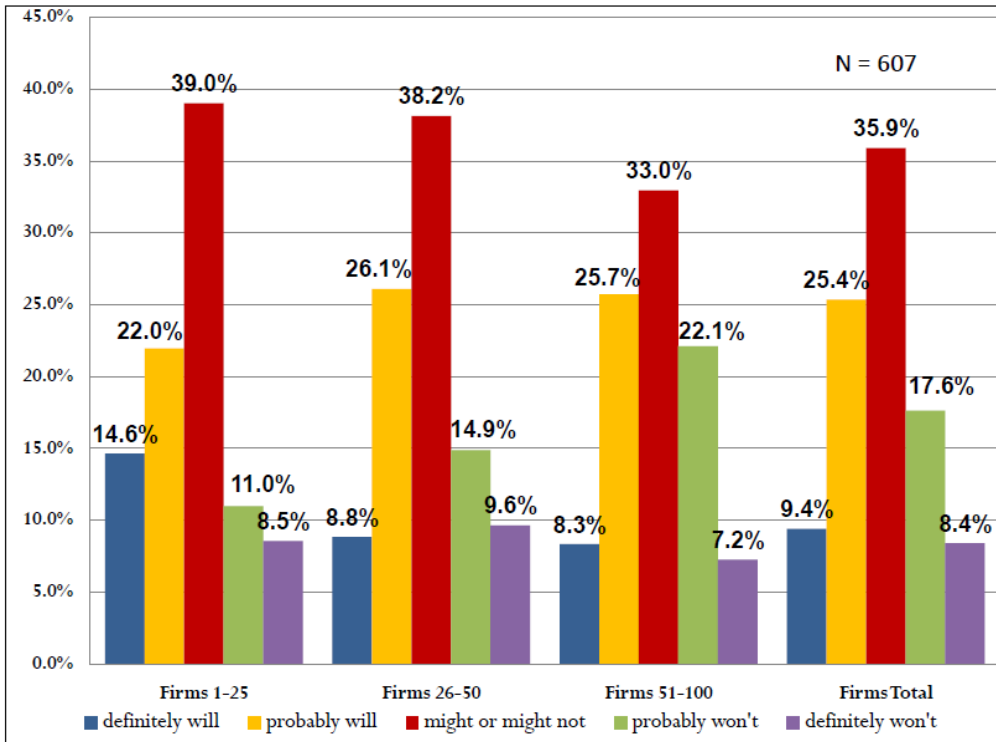


Table C.1
Simple Ranking of SHOP Potential Services by Likelihood of Use

Potential Service	Definite		Probable		Definite & Probable at Full Value**		Definite & Probable at Half Value***	
	%	Rank*	%	Rank*	%	Rank	%	Rank
Find clear information about your health insurance option	21.8	3	31.1	4	52.9	3	37.4	3
Select from different benefit plan designs	16.6	5	33.6	2	50.2	5	33.4	5
Determine which insurance plans provide the best geographic provider match	16.6	5	35.6	1	52.2	4	34.4	4
Be guided through the insurance plan selection process	12.7	8	30	5	42.7	8	27.7	8
Calculate the premium cost to cover your employees	26.2	2	31.3	3	57.5	1	41.9	1
Calculate the financial costs of not covering your employees	26.5	1	27	9	53.5	2	40	2
Determine the availability of benefits not mandated (e.g., Dental or Vision)	9.8	9	29.3	6	39.1	9	24.5	9
Determine the costs of benefits not mandated (e.g., Dental or Vision)	17.3	4	29	7	46.3	6	31.8	6
Combine your full premiums, bill you and pay plans	6.6	11	17.5	11	24.1	11	15.4	11
Answer your employees' benefits questions	15.5	7	28	8	43.5	7	29.5	7
Access a directory of brokers and advisors	7.7	10	24.6	10	32.3	10	20	10

* Rank determined by straight percentage as single response.

** Combined full weights of each respective rank (both "Definitely will" and "Probably will")

*** Combined ranking uses the full "Definitely" rank and ½ the "Probably will" value

Appendix D

Comments from Focus Groups

Comments are organized by the planned objectives for the report. The comments are not sorted by the SHOP or Individual Exchange. In most cases the meaning is evident (SHOP), but the confusion between the SHOP and Individual Exchange comes through.

Objective 1: Examine preconceived notions/understanding of Health Insurance Exchange— both employers who have purchased employee health insurance coverage and those who have not.

General beliefs about small businesses and health insurance coverage: In each group session, the participants commented that they believe providing health insurance through the employer has become an unwanted, but usually determined as necessary, burden. Typical comments by participants included:

- *[Health insurance coverage] is the employer's responsibility.*
- *Expensive.*
- *Necessary evil.*
- *It's literally jobs vs. benefits...are we going to get rid of people or benefits? It's morally difficult to make these decisions. You're impacting their lives and their families' lives. It's a heavy burden.*
- *It's personal and emotional to people when you're making decisions that impact their health care...people care deeply about what you are doing to their health care, what you're doing with their relationship with their doctor...*
- *[Employers] are so tied to [benefits for employees] now...if I tried to make some drastic change...I'd probably have 15 resignations on my desk.*
- *There are a lot of employees who are there because they get health insurance. They would not be working if they did not have health insurance. (--Most participants agree with this)*
- *If you talk to a twenty-something employee, they will say 'why should I pay for this?'...you try to focus them on the protection nature of what it means to be insured vs. not insured...but in the United States you can be insured and still go bankrupt if you have enough catastrophic things...*
- *[Health insurance] is highly valued by employees...it is a crucial component of the compensation package.*
- *[Health insurance] is not important to some employers if it's a low wage high turnover employer...*
- *Frustrating.*
- *I've been dealing with this industry for 15 years and it's never been simple... You have to have a good broker and even then it's still a great responsibility. We can't get a policy for our temporary employees.*
- *It's especially complicated when you are a small organization because a lot of insurers won't insure you...*

Most pressing concerns about employer-sponsored health insurance coverage: In each group session, the participants commented on the enormous costs they are faced with when providing any kind of health insurance coverage for their employees, not only monetarily but also described as costly in time. Participants indicated they believe they are faced with tough decisions about hiring based on employee

health risks and related costs. Participants also frequently commented on the increasing complexity of providing health insurance coverage to their employees. Typical comments by participants included:

- *High cost.*
- *Complicated...very complicated.*
- *Without exception the complexity [of health insurance coverage] from an employer and employee perspective is very significant.*
- *We're playing roulette in our small businesses...any [employee health issue] can kill us... a bad burn, cancer...we are at the mercy of our least healthy employee.*
- *Every year it is a real time consuming thing to review...every time I'm spending looking at insurance is time I'm spending not making money.*
- *The insurance companies make their own rules and it's impossible to keep up with them...*
- *When you look at plans you have to figure out is it accessible for everybody.*
- *...you have to rely on people to be experts and you don't know whether they are experts or not.*
- *Trying to figure out the best solution for employees without violating their privacy...what's the right mix of cost vs. benefit.*
- *After costs, we look for how much disruption the health insurance changes are going to cause employees...who wants to go see a new doctor every year?*

Beliefs about the core purposes of a Health Insurance Exchange: In general, participants had two beliefs about the purpose the Exchange: 1) they believed it is primarily for people to gain access to health insurance coverage and 2) they believed it is to help make health insurance more affordable for all. Beyond this, participants were unclear about the purpose of the Exchange. Typical comments by participants included:

- *[The Illinois Health Insurance Exchange] is a big question mark. I don't understand what it is yet or what it will mean for us...I would guess that it means a bunch of insurance companies banding together to provide guaranteed coverage to anybody who applies.*
- *It will give access [to health insurance] to people who didn't have access.*
- *More buying power...more purchasers together might have a chance at getting a better price.*
- *I think the ultimate purpose [of the Exchange] is to control costs of health care but I'm not so sure that it's going to...*
- *My understanding of what we're trying to do with an Exchange is getting people to band together who are having a hard time getting insurance now...it seems like the Exchange is where those individuals and small businesses can come together...maybe Blue Cross would bid on all those people for five years or something...that's my concept of it.*
- *If they've got coverage you're assuming people won't go to the Emergency Room anymore for their health care...*
- *I think it's improving access to health insurance...there is the assumption though that access to health insurance is access to a physician and it's not...*
- *Only a small fraction of the public has any clue about what this is...*
- *We know what it is because it exists in Massachusetts...it's a connector for small businesses...*

Hopes for Health Insurance Exchange: In general, participants had three hopes they discussed most often: 1) they hoped that the Exchange will free them from the responsibility and burden of being involved in the provision of health insurance benefits for their employees, 2) they believed it might provide price stability and/or help make health insurance generally more affordable, and 3) that the Exchange will produce more choice for consumers of health insurance. Typical comments by participants

included:

- *I'm hoping it's going to be positive...more choices, more opportunity.*
- *I'm hoping that as the employer I will just be putting this amount of money forward for health insurance but then I'm out...the Exchange will take over answering and advising employees about what doctor to see or any of their health concerns.*
- *The Exchange should be an easy way for a person to go and find out about all of their healthcare options...and if they want to, they could purchase...*
- *I hope it means that I can be out of the health insurance business completely. I am hoping that the Exchange will be lower cost for everybody.*
- *I think the Exchange could be a great clearinghouse for information.*
- *I was hoping that all of our employees will have more choice [in belonging to an Exchange] instead of all of us only having one choice where we all have to have the same choice.*
- *I am hoping the Exchange will be able to help us anticipate what [insurance coverage] is going to cost year after year. I [am hoping I will be able to] plan and deal with it. Right now I have no idea what I'm going to deal with come December. You can't plan for it...*
- *Have as many covered as possible...I would like the small business people to be out of the insurance business.*
- *We hope [with the introduction of an Exchange] we can hire the best employees ...hire the right person for the job rather than worrying about the [health insurance costs] of this person...*
- *Hopefully, it won't be just Blue Cross...hopefully there will be a few choices.*
- *I see so many good things that could happen...stability, giving our employees more choice...*
- *I'm hoping employees have portability if they go through the Exchange...they'll be able to take their insurance with them wherever they go.*
- *My hope is that I can just get online and get five comparable options and be able to make a decision...that you would see a clear explanation of how it would work for different options.*
- *I'm hoping to not be in the health insurance business anymore and that my employees can get good coverage by going to the Exchange...I won't buy policies anymore, I won't have anything to do with it anymore...I'm out. I'm done. That would be ideal...with the caveat that it would be a good, viable option for them and I'm not throwing them to the wolves.*
- *It would be great if seasonal and part-time employees could get insurance through the Exchange... Right now, we have employees who can't take advantage of plans because the plans are too expensive...I'm hoping the Exchange is a place to move all these people to get coverage.*

A successful Health Insurance Exchange would include...: Participants believed that the best things the Exchange could provide would be: 1) clear, easy to understand options for health insurance, 2) education for employees about their health insurance, 3) price stability and 4) competition. Typical comments by participants included:

- *Explanation of plans would be simplified...things would be clearer [than they are now] with the Exchange...*
- *For the people who have insurance now, that it needs to work as well as it works for them now...as functional as it is now...nothing less...*
- *If there is an Exchange, hopefully there will be a non-Exchange world as well...that option should remain.*
- *Price stability would be double nirvana.*
- *[I would like to see] options for employers to receive stability in their premiums if they get their employees to participate in some kind of wellness program through the Exchange...*

- *I would like to see the Exchange have the ability to educate employees...sponsored or approved or recommended advisors.*
- *There should be fair pricing in and out of the Exchange... [the Exchange] should just be access to insurance.*
- *I still want to have an expert, like my broker, who I can call...someone who can be my employees' advocate...*
- *I would want the Exchange to compete for business...it's the American way...*
- *I hope we still have a private [option] and an Exchange and real competition between the two, not where it's rigged in the Exchange benefit...the more selection the better off we will all be...*
- *If they got to a 90% solution [to the problems currently experienced by employers providing coverage], that would be nirvana enough...*

Fears for Health Insurance Exchange: Participants discussed several fears around the creation of the Exchange in Illinois: 1) Illinois will struggle with resources and will not be able to create an Exchange that will satisfactorily fulfill their needs, 2) there will be little or no follow-up service from the Exchange post-purchase 3) they will lose their broker, 4) they will need to spend an increased amount of time learning more about health insurance in order to be able to make informed decisions without their broker, 5) the Exchange will be overwhelmed with people who have been “dumped” by their employer health plans and 6) there will be more limited availability of providers for people who use the Exchange. Typical comments by participants included:

- *I'm worried that the State of Illinois has anything to do with [the creation of the Exchange].*
- *I'm afraid the Exchange would not have an adequate replacement for my broker.*
- *...the fear [in using the Exchange] is that you go to this magical, mystical computer to purchase and then you're going to be in never-never land for service...the service after you purchase is super important...right now I have ten full time people just to handle all the problems that come up for employees. (--comment from a broker/consultant referring to handling client's employee health care questions)*
- *I think we are driving away competition because of these Exchanges...lack of competition is not good for anybody.*
- *I think the Exchange could take away what my broker does and that puts more of the burden on me...*
- *A lot of doctors pull out of HMO's and I'm wondering if they are going to do the same with the Exchange. Will there be any good doctors to see through the Exchange?*
- *I wonder if a State Exchange will limit my options and force me to go to a doctor far from where I live.*
- *A State Exchange could dumb down the medical care for these people who have to go this State Welfare kind of system...there are a lot of concerns.*
- *We're still going to be beholden to the insurance company and what they want to provide.*
- *I worry about the privacy of medical information if I used the Exchange.*
- *Is the Exchange going to be another option on a list of options we already have now, or is it going to be a whole series of options or is it going to replace everything we have now? (--Most participants agreed that these are big, unanswered questions.)*
- *I'm expecting a complete mess...how are they going to pull it off...launch...of course insurance companies have to be involved because the government can't pull it off on their own...*
- *An Exchange will probably cost less, but I'm worried whether you can get enough providers to give that care.*
- *There are layers and layers of complications in implementing the [Health Insurance*

Exchange]...I'm very uncertain about all of this and whether or not they will even be able to do this...how are they going to have fifty states with fifty different Exchanges?

- *We wouldn't want to see limited choices as far as doctors and hospitals...that would be a bad thing.*
- *Is my broker out of the picture altogether or is he going to be helping me?...I don't want to sit down for hours and figure all this out.*
- *This is going to be a task that's bigger than Illinois can handle...all of us talk to our employees now for hours and they still don't understand...it just is truly confusing to the average person...I don't think the State of Illinois appreciates that confusion.*
- *From everything we know and have read about it's going to lead to mass chaos and confusion...I feel very strongly that giving people access [to health coverage] is a good thing...but the Exchange itself, I don't view it's like buying a plane ticket and go online and buy health insurance...I can't even begin to imagine how someone can begin to go online and decipher information...I think it's going to be extremely confusing...insurance is complex and they need someone to help them understand the differences...no one has time to read through all the differences in coverage...*
- *[I am afraid the Exchange] is going to [make it] more and more difficult for providers to see all of these people who will be covered.*
- *As an employer, paying the penalties might be a better deal than paying for employee health insurance coverage and I think the Exchange is going to be flooded with way more people than the government ever anticipated...it's really scary to think about the ramifications...I think it's going to be a domino effect and if the employer at the top decides they are no longer going to offer insurance, I think they are going to tell their employees they can get good health insurance on the Exchange and offer their employees raises and then you're going to see everyone do the same thing because they will see how much money they can save... year or ever?*

Assumptions and uncertainties about how the Health Insurance Exchange will work: Participants often discussed their assumptions and knowledge about how the Exchange might work. Some participants stated they simply don't know or understand how it will work, while others presumed to know a few things about how it might work. However, the majority of the comments indicated uncertainty and questions about how it will ultimately work. Questions centered mostly around the lack of knowledge about how different State Exchanges will interact with one another, who will administer the Exchanges, who will pay for services and how brokers will be used. A few believed that the Exchange will work much like the Massachusetts system for health care coverage. Typical comments by participants included:

- *I see more choice [with the Exchange] as being more time consuming. Right now we have only one choice and you're either on it or not. More choices mean more administration. That's going to be more complicated for the employees, for your billing, for everything involved.*
- *I wonder who is going to administer this...will it be an insurance company or the State of Illinois?*
- *I really wonder how much flexibility the States will have in developing their Exchanges.*
- *Maybe we won't have a choice about whether or not we will have to participate in the Exchange...*
- *I don't know if there will be no available plans for small businesses and if we will have to purchase through the Exchange...*
- *If the Exchange offers advisors or brokers, I wonder who would be employing these people? I expect an Exchange to operate like an HMO.*
- *It's still unclear...is the Exchange for small businesses going to be individual employees of the small businesses going to the Exchange to determine what they want to provide for their employees...there has really been no clear direction yet...we don't know what this is going to look like...*

- *I think in the beginning there are going to be a lot of kinks to work out...we're so confused and mind- boggled by it.*
- *I would expect to go online and shop.*
- *I think the Exchange is going to be run by insurance people and it's going to be profitable for the insurance companies.*
- *There could be twenty different Exchanges for the twenty different states where we do business...how will we educate employees, roll out the plans? Are we going to have to have twenty different summary descriptions for twenty different states?*
- *I think the employers would rather have [the Exchange] be just an individual Exchange [as opposed to a Small Business Exchange] and everybody gets [a stipend] and then they get online and choose their own [health insurance] and that way employers can leave HR out of it.*
- *I see the Exchange as only a place to purchase insurance, but not a place to maintain it. I don't think the Exchange could handle employee questions and maintenance of the plans...I think that would be something the insurance company would do...it's beyond what I see as the capability of the Exchange. Do we change [insurance carriers] in a year or ever?*

Assumptions about how the Health Insurance Exchange will impact small businesses: Participants were mostly uncertain about the future impact of the Exchange on their business. Participants often expressed hope that the Exchange will help reduce costs and administrative burdens for small businesses. Typical comments by participants included:

- *It should bring premiums down for everyone because you're spreading the risk and spreading the costs.*
- *I'm trepidatious...I don't know what the Exchange is going to mean for us.*
- *We have to compete for good employees and I don't know if the Exchange will hinder us or help us...we'll just have to see...*
- *I never really figured out exactly what they passed...I don't know what to expect or what it will mean for us...whether we will be eligible, who will be eligible of my employees...*
- *I was assuming the Exchange meant that [health insurance coverage] was no longer going to be through the employer...why would it be my responsibility?*
- *I'm prepared to eliminate a whole line of business to deal with the changes in health insurance. (-- comment from a benefits director)*
- *If it keeps going down this road, my job [benefits director for a small business] will cease to exist. We will no longer have employee sponsored health benefits. I'm wondering if I should be preparing for some sort of [career] alternative.*
- *If the Exchange strips out choice...or adds [too many benefits]...it has to be stopped otherwise it will collapse because of costs...*
- *I'm assuming we'll have to know about options the Exchange has to offer to be able to give our employees information about Exchange plans and how they compare to our plans...we want to be passive in our involvement with the Exchange. We don't want to be involved in administering the Exchange plans. I want to have our [company] plans and have the State run their plans.*
- *Many small businesses have said the Health Insurance Exchange is a gift for them so they can pay the government to get rid of all of these headaches.*

Current beliefs about how employers believe they will use the Exchange: Typical comments by participants included:

- *--Some disagreement from participants regarding the statement that many physicians will not*

participate in providing care through the Exchange.

- *I would expect to get a tax credit if I purchase through the Exchange.*
- *If [the Exchange] took the responsibility of having to choose and decide everything about health insurance away and gave that responsibility to the individual employee, businesses would like that and that would be a huge benefit to me.*
- *I don't know enough about the Exchange to know whether or not I will purchase coverage.*
- *I would expect more access to doctors.*
- *Small businesses would run to the first opportunity to get out of the health insurance business.*
- *It should spread the risk so if you have a high risk employee then it shouldn't affect your premium the next year.*
- *I think [the Exchange] will be a clearinghouse...if it is I think it has a lot of potential.*

Beliefs about government involvement in the creation and maintenance of a Health Insurance Exchange:

Participants often discussed their mistrust of the government's involvement in the creation and maintenance of a Health Insurance Exchange. This perception appeared to create a significant amount of fear about how the Exchange will change things, particularly around choice, as well as strong beliefs about being coerced into purchasing health insurance. Participants also lacked confidence that the State of Illinois can "pull this off." Typical comments by participants included:

- *If the government is going to mandate that I provide health insurance for my employees, that's extremely frightening.*
- *I think everything is going to be run through the Exchange eventually...there won't be an insurance company ten years from now...it's going to be a couple master policies that everyone is going to have to live with.*
- *I think an Exchange will narrow plan choice to only provide what the government wants you to have...*
- *I think [the Exchange] will be a quasi-governmental entity...like Fannie Mae or Freddie Mac.*
- *I would want the insurance companies to run this, not the State of Illinois...I don't want my tax dollars going to running this.*
- *I don't think there is any way that the State is going to be ready [to implement the Health Insurance Exchange] in 2014. I don't feel like I'm gearing up for anything to change in 2014 because I don't think that date is going to hold.*

Objective 2: Examine motivation and interest in using Health Insurance Exchange

Participants' current beliefs about whether or not they might use the Exchange: Participants discussed the impact of penalties and tax credits on their motivation to purchase health insurance through the Exchange. Some believed it might end up less costly in many respects to pay penalties, while others believed it will be beneficial to purchase insurance through the Exchange. Tax credits for using the Exchange appeared to be of little interest to most participants. Typical comments by participants included:

- *It might be better for me to just pay the penalty rather than purchase coverage for my employees through the Exchange...I'll just have to weigh it out.*
- *Unless our competitors all go to the Exchange, then I don't know if we will use it because we have to attract and retain employees...it just depends on what our competitors will do...we're going to*

take a wait and see attitude but I wouldn't be surprised at all if in the year 2018 we are no longer in the insurance business.

- *If you just look at the penalty for sending all of your people to the Exchange, its way cheaper to just pay the penalty. My company is not going to [purchase from the Exchange] in the first year or maybe never, but eventually I think they will because it's too good to pass up.*
- *I don't think anyone could make up their minds about [whether or not they will purchase insurance] through the Exchange right now...we don't have the facts yet.*
- *We've done the calculations and from a calculations perspective we've got to be idiots to stay in the insurance game, but that doesn't mean we won't provide coverage...we don't know what we're going to do yet...*
- *I was not aware of any tax credits for using the Exchange...*
- *The tax credit is not a decision maker of whether or not you are going to provide coverage or not...*
- *I think I need to see some options of how this would look before I can tell you what I would want to see in [an Exchange].*
- *I don't want to have to become an expert on health insurance if I use the Exchange...I'm hoping to get out of dealing with employee health concerns.*

Objective 3: Explore preferences for Health Insurance Exchange services

Issues employers are most concerned with in choosing health insurance coverage: Most participants felt strongly that the high cost of providing health insurance is the number one concern when choosing plans. The quality of the health insurance carrier and the provider, the geographic location of the provider and access to the provider were also expressed as major concerns in choosing health plans. Typical comments by participants included:

- *Cost is the biggest concern without a doubt, particularly in the last several years...*
- *The quality of the insurance company...claims problems...are they paying claims...are they going to bill properly...because I [the employer] don't have the manpower to fix all these issues...*
- *Costs over the long run and being able to project into the future...*
- *I would really like to have some options in order to get coverage for some of my employees [who are not currently covered] so they don't go to the emergency room because that just drives everybody's premiums up.*
- *Copayment levels [for employees] are a concern for us.*
- *Cost...for me and my employees.*
- *What hospitals are in the plan? Can I go to Northwestern if I want to?*
- *Will my employees be able to see the doctors they want to see in the plan?*
- *The ability to see the doctors they want to see impacts morale...the employer is the bad guy if they have difficulties getting something covered.*
- *Cost, cost and cost and is this plan not embarrassingly bad for my employees...*
- *The deductible for the employee...we can't force everybody into a deductible, even if in the end they are paying the same as they would with co-pays...they perceive [the employer] as cheap with a higher deductible...*
- *People like co-pays...because they know when they go in that is what it's going to cost them.*
- *The coverage level [is an important consideration in choosing plans].*
- *...the accessibility in the local community...you have to get a plan that employees can access...if you have a plan and no doctors will take your insurance it's almost worse than having no plan at all...because then you're saying to your employees—'Pay us this money for your plan but by the way there are no doctors around here you can see with this plan.'*

- *My broker comes in with a thick stack of paper and it's table after table of Blue Cross Blue Shield plans and there is one plan circled and that's what my broker recommends for us.*
- *Years ago it was easier, but now, my employees are not happy. We used to cover family...we can't do that now.*

Cost of health insurance: All participants indicated a desire for stability in costs for health insurance. Participants frequently discussed the tough hiring choices they make in relation to health care costs, as well as the tough choices they face in either passing costs on to the employee or cutting overall costs of doing business in other ways (e.g., layoffs or eliminating lines of business). Typical comments by participants included:

- *We've had to cut benefits and make [the employees] pay more.*
- *[Health insurance] is a big chunk of your expenses going out for your business. You have to control [costs of health insurance for employees] or you're going to go out of business if you don't. The cost keeps going up but [employees] expect the same benefits every year. It's kind of like pulling the rug out from everybody.*
- *We might see that the job candidate is a good fit for us, but we can't hire them because they might have cancer or if they are older they will cost us too much.*
- *If you have a small pool of employees and you hire an older person, you know they are going to cost you more...it lends itself to discriminate...do you offer them less salary because you know they are going to cost you more or do you not hire them? (--There was strong agreement with this statement.) We have started charging VP's more and started charging people with more than three kids more...the concept was that if you can afford more or you use more [health care] then you will have to absorb some of the costs*

Potential services from the Health Insurance Exchange: The list of potential services from the Health Insurance Exchange was used as a handout in each discussion (Appendix E). Participants were asked to rate their five most preferred services in order of preference. Most participants believed all of the services listed were important, but participants discussed a few as crucial. Typical comments regarding services made by participants included:

- *I want to know how they are going to charge me...are they going to take it out of my account?*
- *Ideally, the Exchange would provide all of the services [listed in the handout].*
- *Finding clear information about health insurance options is super important...it's got to be clear and simple though...*
- *Being guided through the health insurance plan selection process would include all of these services [listed in the handout]...*
- *Whatever I need to make an intelligent decision, I expect to be [provided as a service from the Exchange]...*
- *Employers would definitely need someone to counsel them in their decisions...education [for the purchaser] is critical in order to have the Exchange work.*
- *Clear information about the options for services on the Exchange... (--Most participants indicated expecting the same information they currently get from brokers now.)*
- *Cost is super important...can I afford it?*
- *We don't want to look at all the options from the Chevy to the Ferrari...we want to give [the Exchange] budget first and then know our options...*
- *It could be like Priceline.com...like they broadcast to all the airlines what I want and I put in what I can afford...*

- *Whether I want all of these potential services rests on whether or not I will still have my broker...*
- *I would want it to be like Hotels.com, where the options are narrowed for me based on the price I put in.*
- *Dental and vision is nice to know...but it's down at the bottom of the list somewhere...it's not a priority. I would want to see reviews of the insurance carriers...like on yelp.com...*
- *It's not pulling the trigger [to purchase the coverage]...it's now that I have pulled the trigger how do I utilize this? How do I make sure it's being handled the right way now that I've purchased this. I would want to see a list of credentialed advisors...*

Objective 4: Explore preferences for pricing

Participants were asked to give their perspectives on pricing for potential Exchange services. Participants resoundingly believed that services offered will and should be free of charge. Some participants did indicate they expect to pay for these services through their premiums. A few expected to see a decrease in premiums if they are no longer using their broker to purchase insurance from the Exchange. Typical comments made by participants included:

- *I thought these services would be free, but the cost would be included in the premiums...like it is now through my broker.*
- *I would be happy if costs of premiums were maintained through the use of the Exchange.*
- *The broker is such a minute cost in this whole thing, the cost for them right now doesn't matter. Anybody that purchases from the Exchange would be paying for the service through their premiums. Is your premium going to be less if you're not using a broker?*
- *I would expect the cost of this to be baked into the cost of the premiums.*
- *I would not utilize something that would probably be a very expensive part of an Exchange...[I would not want to pay for] someone who would answer all of my questions about all of this... (-- participant referring to using a skilled online, phone or in-person advisor when purchasing from the Exchange)*
- *Whatever the Exchange provides, it would have to be for free...if they have to only provide basic services because that's what they would need to do to make it free, then that's what they would have to do because it has to be free.*

OBJECTIVE 5: Gauge response and reaction to potential structure of Health Insurance Exchange

Participants believed that the web based structure for the Health Insurance Exchange will work best. Many participants indicated a strong preference for something easy to use and mentioned the following as good examples of that: Turbotax, Hotels.com, Progressive Insurance and Priceline.com. Typical comments by participants included:

- *You know where you search for a car...[I want the Exchange to work in a similar way] where you put in what you want and then a quote comes up with options...*
- *They should hire Intuit so it can be like Turbotax...*
- *Make it as simple as possible! If the information is too complex it doesn't matter how great the website is...it needs to be simple.*

- *You need to be able to compare and it needs to be apples to apples...*
- *The State is going to have to have a really nice, clear website...what it is, how it works, how much it costs.*
- *Like Progressive insurance...a name your price type thing... It needs to show how it's going to affect your company...*
- *It needs to be an affordable, clean process that people can understand...*
- *We don't want this Exchange to result in another huge bureaucracy...every new department turns into these huge behemoths...*

Live/In-person help: Participants were asked to give their preferences for receiving help and/or answering their questions when using the Exchange. Virtually all participants expected the Exchange to offer phone and online assistance. Many expressed skepticism that the Exchange could provide skilled, knowledgeable staff for this function. Typical comments by participants included:

- *They need to have a live chat person online.*
- *I'm not necessarily expecting a person in an office to actively be answering my questions...there has to be someone there for people who aren't using the web though...*
- *I want to be able to call somebody...this is a big decision for you and your employees... I would expect to be able to take to someone on the phone...*
- *How sure are we that someone on the other end of the phone would be giving us the right answers?*

Topics of interest that cross key objectives of the study: Beliefs about brokers, attitudes, perceptions about employer-sponsored healthcare, abilities and ethics

Beliefs about the future of brokers: Most participants believed their brokers will take on new roles and responsibilities with the creation of the Exchange, with most believing their broker will become their consultant. Typical comments by participants included:

- *Will the Exchange replace my broker? (--participants were uncertain as to how the Exchange will fit in with the current model for use of their broker)*
- *If I still had a broker and could do everything without going through the Exchange, I would probably just stick with my broker...he's honest and I trust him.*
- *I picture my broker turning into a consultant.*
- *I picture my broker competing for my business with the Exchange, so I now have more work than I ever have in figuring it all out...*
- *I would probably need my broker if I couldn't get all these services [from the Exchange].*
- *I worry about the brokers...they have all the knowledge and I worry about whether the decision makers will be including them in the process...where do they fit into the puzzle or do they?*
- *I'm not sure I want to use my broker for information about the Exchange...I'm not sure they are the right source to answer all of these gray area questions.*
- *They are switching to a consultant role...their sales pitch is changing...they're not just going to sell you a product anymore...*
- *They will be professional services with billable hours...they won't get commissions...*
- *My understanding is that the brokers will go away if we have an Exchange.*

- *[If the Exchange started tomorrow] I would call my broker first and say, now what do we do? You might go shop yourself, without a broker, once the Exchange is up and running.*
- *If the Exchange provides a good enough service, then maybe the brokers won't be needed anymore.*

Beliefs about the current usefulness of brokers: Participants provided mixed reviews of their brokers, with most believing their brokers are knowledgeable, some believing their brokers are extremely knowledgeable, provide great service and are trustworthy and still others that view their brokers as necessary, but untrustworthy. Typical comments by participants included:

- *I send my employees to my broker if they are having problems and can't get an answer through their insurance or provider...our broker handles all of our employee questions.*
- *You have to have a broker [to help navigate the health insurance purchase]. (--There was some disagreement from other participants regarding this belief.)*
- *I think a broker would have to walk the employer through the choices on the Exchange...I think there is a very small percentage of people out there who could do that on their own.*
- *We look at the reputation of the insurance company...we rely on our broker to tell us their claim processing history.*
- *I don't doubt that we have good relationships with our brokers but they are commissioned sales reps...they know a lot more than we do though.*
- *They can be really helpful.*
- *I hope the existing structure isn't thrown out...the way we do things now with a broker...he's working for my best interest.*
- *I really trust my broker.*
- *I've never felt that I could rely on my broker...I've never felt comfortable that I'm getting the full truth.*

Participant preferences for communicating to small businesses about the Exchange: Most participants believed that DOI will need to communicate information about the Exchange in multiple ways, from webinars and in-person community meetings, to educating brokers and the Chamber of Commerce and even providing mailings through the Department of Revenue. Typical comments made by participants included:

- *I think webinars are extremely effective...it's a great tool.*
- *A series of conference calls would be great...something where experts are talking and your joining a series of calls.*
- *Brokers and agents could deliver the information.*
- *They know through the Department of Revenue who the employers are...they could communicate through them.*
- *Unless it's written in first grade English, anything the State sends out most employers are not going to understand it.*
- *[The State of Illinois] could say [to employers] if you don't take action, here is what is going to happen. The government does a really good job of communicating their Medicare program. I'm thinking the way they communicate this will look really similar to that.*
- *They are going to have to do a lot of community education to explain the concept of an Exchange... I really don't think there is a good way for them to communicate all this...*
- *Probably through the Department of Revenue...they could mail out packets because they have all of our addresses.*
- *[I would like to see] Department of Insurance tutorials...*

- *Chambers and different associations would have to send out platoons of people to do presentations in communities...*
- *Use insurance brokers [to communicate information about the Exchange]...retain them to communicate this.*
- *So far the insurance brokers are very good at communicating information but the people in government have not been.*

General attitudes and beliefs about employee sponsored health insurance: Most participants discussed the enormous burden of providing health insurance coverage for their employees. They discussed this burden in terms of cost and time spent in follow-up for employees. Typical comments by participants included:

- *You may not always know what health conditions your employees have or their family members have and how that might impact your costs. You have no way to control that cost other than to reduce benefits to employees or pass on the costs to the employees.*
- *I know someone who had [an employee] get really sick and their premiums shot way up and now they're not competitive with their direct competitor. That has nothing to do with the product or service they offer. It's completely irrational.*
- *Employee provided health insurance is an anachronism.*

Employer discomfort about ethical boundaries crossed in employee sponsored health insurance: Participants expressed a great deal of discomfort in their intimate knowledge of employee health issues. Typical comments by participants included:

- *When I'm looking to hire somebody I'm always looking at their health...it's a huge consideration...on the one hand you're thinking about it and then you're thinking...I shouldn't be involved in this at all.*
- *It's one of those things where everybody in the group gets hit...one case of cancer and everybody's out...it's a very tough choice.*
- *If you're interviewing two people for a job and it's one female of child bearing age and one male...you're thinking one bad pregnancy could really mess things up so you pick the guy because you know in the long run, he's probably going to save you money.*
- *You shouldn't have to discriminate [in hiring] just because [a potential employee] is going to cost a lot in health insurance.*
- *I had to have all of my staff complete health information as part of the preparation for choosing a plan and now I know everything about all of my staff. That's not something you can unsee...you don't want to hold [health problems] against somebody...you have to make decisions on medical care and I'm not a doctor...I don't want to know this about people...I shouldn't see this about people.*
- *The most heartbreaking thing about how we do health care now, especially with the way the job market is now...if you lose your job you eventually lose COBRA and then what if you get cancer and still have no job? Now you've got a pre-existing condition.*
- *[Health insurance decisions] shouldn't be in the company's hands... It should be portable and with each person... [Employees] don't want me making those decisions and right now we're making those decisions and we're really not qualified to be making those decisions.*
- *I'm making clinical decisions and I'm not a clinician.*

- *I've had to learn what various medications are and what different diseases are so I can interpret the reports from Blue Cross Blue Shield so I can understand our claims experience so I can negotiate renewal...Do you really want me to make decisions about whether we cover in vitro?...Or we don't want to cover Nexium but we will cover the generic equivalent. I don't know if there really is a difference. I'm not qualified to make those decisions. Who am I to make those decisions? I'm not a doctor.*

General beliefs about employee ability to navigate and understand the process involved in choosing and maintaining their own health insurance coverage: Most participants were skeptical of their employees' ability to understand their health insurance coverage. Typical comments by participants included:

- *Employees don't understand how it works and they don't know anything about costs...if a drug costs ten dollars at the pharmacy, most employees think that's the actual cost of the drug...they don't know it might be a two hundred dollar drug.*
- *Employees are never going to understand [how health insurance works]...*
- *I don't think the average employee is savvy enough to manage their own health care [through the Exchange].* (--there was disagreement among group participants regarding this statement)
- *Employees don't shop for health care like they shop for a cell phone...they don't think to shop around...they go to the Emergency Room...do what their doctor tells them to do rather than shop around for [health services].*
- *I don't think individuals will want to buy from the Exchange...Most people don't want to take care of [their own health insurance coverage]...they would rather have their employer take care of it...*

Appendix E

Handout of Potential Services from the Health Insurance Exchange used in the Focus Groups

These parallel the Likelihood-of-Use questions in the Survey (Appendix C).

Potential Services of Illinois Health Insurance Exchange

Below is a list of potential services that could be offered through Illinois' Health Insurance Exchange for small businesses. Circle the five services you most want to see from the Health Insurance Exchange, and then rank them from 1 – 5 in their order of importance to you.

1. Finding clear information about health insurance options for covering your employees
2. Being guided through the health insurance plan selection process
3. Finding and using a directory of brokers and advisors
4. Determining which insurance plans provide the best geographic provider network match
5. Finding information about cost and availability of benefits not mandated under Health Insurance Reform, like dental or vision
6. Determining costs of the premium to cover employees
7. Calculating the financial penalties of NOT covering employees
8. Being able to purchase employee health plans directly through the Exchange
9. Billing (i.e., having the Exchange combine your full premium, bill you and pay your selected insurance plan or plans)
10. Answering individual employee benefits questions regarding their health coverage (i.e., sending employees to the Exchange for answers to questions about their benefits)
11. Selecting between different benefit plan designs
12. Information about quality of insurance carriers
13. Information about quality of health service providers