MARKET WATCH

Report From Massachusetts: Employers Largely Support Health Care Reform, And Few Signs Of Crowd-Out Appear

As reforms are implemented, employers support the principles of reform, and critics' fears of the undermining of private coverage have not yet been realized.

by Jon R. Gabel, Heidi Whitmore, and Jeremy Pickreign

ABSTRACT: Based on a 2007 survey of 1,056 randomly selected Massachusetts firms, this paper presents findings about employers' attitudes about, knowledge of, and responses to recently enacted reform legislation. A majority of Massachusetts employers agree that all employers bear some responsibility for providing health benefits, firms not offering benefits should be required to pay a "fair share" contribution up to $295 annually per employee, and employers with ten or fewer employees should not be exempt from this requirement. Only 24 percent of employers with 3–50 workers are familiar with the Connector purchasing pool. About 3 percent of Massachusetts small employers intend to drop coverage, similar to national figures. [*Health Affairs* 27, no. 1 (2008): w13–w23 (published online 14 November 2007; 10.1377/hlthaff.27.1.w13)]

Born out of a political compromise between Republican governor Mitt Romney and a Democratic state legislature in April 2006, legislation enacted by Massachusetts committed the commonwealth to achieving near-universal health insurance coverage. At the time, Massachusetts ranked fourth-lowest among the states as to the percentage of the population that was uninsured (9.8 percent).[1] The legislation has served as a catalyst for other states—such as California, Pennsylvania, and Wisconsin—to aim for near-universal coverage.

The design of the Massachusetts reform plan is complex and multifaceted. Others have explained it in detail.[2] Among its components are (1) a Medicaid expansion for children up to 300 percent of the federal poverty level and adults who are unemployed, are disabled, or have HIV; (2) income-related subsidies for health insurance for households earning up to 300 percent of poverty; (3) the creation of a purchasing pool, the Commonwealth Health Insurance Connector Authority, available to small-group and individual purchasers; and (4) an individual mandate requiring all adults to have health insurance, if they have access to affordable health plans, or else incur a financial penalty.

Regarding employer-based health insurance coverage, the law requires all employers with more than ten full-time-equivalent

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(FTE) employees to offer health insurance to their workers with a "fair and reasonable" contribution—one-third of the cost of coverage—or pay a contribution of $295 annually per employee. The legislation also stipulates that all employers with more than ten workers are to establish a Section 125 cafeteria plan for employees. This will enable employees to purchase health coverage with pretax dollars. Employers with fifty or fewer workers may elect to purchase coverage through the Connector by making fixed premium contributions to the Connector, with employees selecting the plan and paying out of pocket for any cost above the employer's premium contribution. The legislation also raised the age for dependent coverage to twenty-six.

Legislation that could change the behavior of millions of people and thousands of firms will inevitably have both intended and unintended consequences. One potential unintended consequence is that it will lead to "crowd-out," or dropping of coverage or restricting eligibility, among small employers. The rationale is that the required contribution of $295 per person per year is less than 10 percent of the actual cost of providing coverage.

Based on a survey of 1,056 randomly selected public and private firms in Massachusetts, this paper presents findings about Massachusetts employers' attitudes about, knowledge of, and anticipated responses to health care reform. The paper also presents information comparing benefit design and employer-based coverage in Massachusetts with those in the rest of the nation. We conducted the survey before legislative provisions affecting businesses went into effect.[3] Our results should serve as a baseline for comparison with subsequent surveys, allowing researchers to evaluate the impact of reform legislation on employer-based insurance in Massachusetts.

Study Data And Methods

The primary database for this study was the Robert Wood Johnson Foundation/National Opinion Research Center (RWJF/NORC) Massachusetts Employer Benefits Survey. The study sample frame was from Survey Sampling Inc. Our sample design entailed a random sample of public and private employers in Massachusetts with three or more workers, stratified by industry and firm size, with further controls for geographic location.

National Research LLC conducted interviews with employee benefit managers from February to July 2007. Core elements of the questionnaire are similar to questions asked in the Henry J. Kaiser Family Foundation/Health Research and Educational Trust (Kaiser/HRET) Employer Health Benefits Survey. These include questions about the plan features of the largest health maintenance organization (HMO) plan, preferred provider organization (PPO) plan, point-of-service (POS) plan, and high-deductible health plan combined with either a health reimbursement arrangement (HRA) or a health savings account (HSA). The questionnaire also asked about employment, eligibility, and plan enrollment in the firm. Finally, it included a special section containing questions about the firm's views on and anticipated changes to the Massachusetts health care reform landscape.

We completed interviews with 1,056 firms, of which 943 (89 percent) offered and 113 (11 percent) did not offer health benefits. The sample included 629 firms with 3–50 employees (hereafter, the definition of "small firm" unless otherwise noted), 333 firms with 51–999 workers ("large firms"), and 94 firms with 1,000 or more workers ("jumbo firms"). An additional 1,310 firms declined to participate in the full survey but answered one question: "Do you offer health benefits to your employees?"

To compare health benefits in Massachusetts with those in the rest of the nation, we used data from the 2007 Kaiser/HRET Employer Health Benefits Survey public use file. In 2007, this survey included complete interviews with 1,997 public and private U.S. firms with three or more workers. An additional 1,081 employers answered the one question about whether or not they provided health benefits.[4]

In calculating statistics regarding firms' views and likely decisions, we used employer weights. These were calculated as the inverse

of the probability of selection in the sample. When presenting figures on plan benefits, we use employee-based statistics. Employee-based weights were calculated as the product of the employer weight and the number of people covered by the firm (or, in some cases, the individual health plan). For both weights, a nonresponse adjustment was made, followed by a trimming of overly influential weights. The weights were then poststratified to the number of firms and workers in Massachusetts based on the U.S. Census Bureau's 2004 Statistics of U.S. Businesses. The sampling error for the full Massachusetts sample is plus or minus 3 percent.

When viewing overall firm averages with employer weights, readers should be aware that these statistics are dominated by very small firms. Among firms with more than two workers in Massachusetts, firms with 3–10 workers account for 64 percent of all firms. In contrast, firms with 1,000 or more employees constitute just 2.5 percent of firms. Firms with 1,000 and more employees, on the other hand, constitute about 51 percent of covered workers and 46 percent of all workers, whereas firms with 3–10 workers account for about 6 percent of covered workers and 10 percent of all workers. In testing for statistical differences, we used the 0.05 significance level.

Study Findings

■ **Employer health benefits in Massachusetts and the rest of the country.** Health insurance costs more in Massachusetts than nationally, and over the past year, costs have been rising more rapidly also (Exhibit 1). From April 2006 to April 2007, the cost of family coverage increased 7.5 percent, compared with 6.1 percent nationally. Similarly, compared with the national average, Massachusetts's monthly premiums for single coverage are 19 percent higher for all firms and 6 percent higher for small firms.

For single coverage, Massachusetts workers face correspondingly higher monthly contributions and pay a larger share of the monthly premium than do employees nation-

EXHIBIT 1
Characteristics Of Health Plans Offered By Firms In Massachusetts And The United States, By Firm Size, 2007

	Firms with 3–50 workers		All firms	
Plan characteristic	**MA**	**US**	**MA**	**US**
Increase in premiums, 2006–07	8.8%	6.8%	7.5%[a]	6.1%
Monthly premium				
Single coverage	$426	$403	$445[a]	$373
Family coverage	$1,104[a]	$1,010	$1,183[a]	$1,009
Employee contribution				
Single (percent contribution)	$83[a] (20%[a])	$46 (13%)	$105[a] (24%)	$58 (16%)
Family (percent contribution)	$339 (31%[a])	$342 (35%)	$320[a] (27%)	$273 (28%)
HMO-POS market share	85%[a]	49%	77%[a]	34%
CDHP market share	2%[a]	7%	1%[a]	5%
Workers with deductible	34%[a]	55%	19%[a]	59%
Avg. single deductible in plans with deductibles	$850	$796	$535	$562
Workers in copay plan	96%[a]	91%	94%[a]	84%
Average office visit copay	$18[a]	$19	$15[a]	$19
Workers with 3-tier Rx cost sharing	81%[a]	64%	88%[a]	68%

SOURCES: For Massachusetts, Robert Wood Johnson Foundation/National Opinion Research Center Massachusetts Employer Benefits Survey, 2007; for U.S., Henry J. Kaiser Family Foundation/Health Research and Educational Trust Employer Health Benefits Survey, 2007.

NOTES: HMO is health maintenance organization. POS is point-of-service plan. CDHP is consumer-driven health plan.

[a] $p < 0.05$ for difference between Massachusetts estimate and U.S. estimate.

ally. For all firms, the average monthly worker contribution is $105 in Massachusetts, versus $58 nationally, while the share of the premium borne by the employee is 24 percent, versus 16 percent nationally. Among small firms, Massachusetts workers also face correspondingly higher monthly contributions and pay a larger share of the monthly premium. The average monthly contribution among these employees is $83 in Massachusetts, compared to $46 nationally, and employees in Massachusetts pay 20 percent of the share, compared to 13 percent nationally.

In Massachusetts, HMO and POS plans dominate the insurance market. Whereas nationally such plans' combined membership accounts for 34 percent of enrollment, in Massachusetts they constitute 77 percent. In the small-employer market, the corresponding figures are 49 percent nationally and 85 percent in Massachusetts. With a market share of 1 percent, consumer-driven health plans (CDHPs, defined as high-deductible health plans coupled with either an HRA or an HSA) have made little headway in the Bay State. Nationally, CDHPs constitute about 5 percent of enrollment.

Because of the preponderance of HMO and POS plans in Massachusetts, cost sharing is much lower than it is nationally. Only 19 percent of insured workers have general annual deductibles, compared to 59 percent nationally. Six percent of covered workers face coinsurance rather than copayments for physician office visits, compared to 16 percent nationally. The exception is for prescription drugs, where 88 percent of insured Massachusetts workers belong to a plan with three-tier cost sharing, compared to the national figure of 68 percent. Three-tier cost sharing provides greater incentives to use generic and preferred brand-name drugs over nonpreferred drugs.

■ **Employer-based coverage in Massachusetts and the rest of the country.** Employers in Massachusetts are more likely than employers nationwide to offer health benefits to their employees overall, and the same holds true for small firms (Exhibit 2). However, overall, the percentage of workers obtaining coverage from their employer is statistically equivalent in Massachusetts and the United States. This is because Massachusetts employees that are offered health insurance are less likely to take up coverage overall. This is also the case among small firms (Exhibit 2). One factor likely contributing to the lower take-up rate is the much higher monthly contributions required for single coverage in Massachusetts than in the nation. However, a greater share of Massachusetts residents have family coverage than nationally, and greater family coverage is likely an important factor in lowering the state's uninsurance rate. A higher percentage of part-time workers are also eligible for their firm's health benefits in the state compared to the nation.[5]

"Employers in Massachusetts are more likely than employers nationwide to offer health benefits to their employees overall."

Massachusetts is statistically similar to the nation in the use of Section 125 cafeteria plans. Among firms offering health coverage, such plans are available to 80 percent of Massachusetts employees (Exhibit 2). In contrast, only 53 percent of employees in small firms are offered such a plan.[6]

Massachusetts employers make health benefits available to same-sex domestic partners far more often than in the rest of the nation. Fifty-two percent of employees work for firms that offer such coverage, compared to 38 percent nationwide. Small firms in Massachusetts are more likely to make health benefits available to same-sex couples than are larger firms; Massachusetts firms (both large and small) are also more likely to make health benefits available to same-sex couples than U.S. firms as a whole.

The Consolidated Omnibus Budget Reconciliation Act (COBRA) plays a major role in providing coverage in both Massachusetts and the nation.[7] We estimate that 127,000 former

EXHIBIT 2
Coverage Estimates Among Workers With Employer-Provided Insurance, Massachusetts And The United States, By Firm Size, 2007

	Firms with 3–50 workers		All firms	
Category	**MA**	**US**	**MA**	**US**
Employers offering coverage	70%[a]	57%	73%[a]	60%
Employees covered by their employer, in firms offering and not offering health benefits	47%	45%	57%	59%
For firms offering coverage				
Eligibility rate	81%	83%	78%	79%
Take-up rate	72[a]	79	78[a]	82
Coverage rate	58[a]	65	61	65
Workers enrolled in family coverage[b]	41[a]	34	45[a]	38
No. of former employees in COBRA (thousands)	5.7	212	127	4,127
Workers in firms where part-time workers are eligible for coverage	36%[a]	22%	66%[a]	48%
Workers in firms where temporary workers are eligible for coverage	2	3	7	7
Workers in firms where contract workers are eligible for coverage	3	–[c]	3	–[c]
Among firms offering health benefits, employees with Section 125 plan	53	48	80	79
Workers in firms where same-sex couples are eligible for coverage	59[a]	30	52[a]	38
Firms offering financial incentive to enroll in spouse's plan	12	11	11	14

SOURCES: For Massachusetts, Robert Wood Johnson Foundation/National Opinion Research Center Massachusetts Employer Benefits Survey, 2007; for U.S., Henry J. Kaiser Family Foundation/Health Research and Educational Trust Employer Health Benefits Survey, 2007.

[a] $p < 0.05$ for difference between Massachusetts estimate and U.S. estimate.

[b] U.S. estimate is for 2006.

[c] Not available.

employees in the commonwealth and about 4.1 million Americans receive continuation coverage through COBRA. In Massachusetts and the nation, about 5 percent of COBRA-covered people work for a small firm.[8] To place these aggregate numbers in perspective, in Massachusetts there are about fourteen workers covered by the firm for every former employee covered by COBRA, and in the nation there are about seventeen covered workers per COBRA recipient.

■ **Employers' knowledge of and interest in the reform plan.** Understanding of the reform legislation was surprisingly low among small firms. For firms with 3–10 workers, just 14 percent of respondents indicated that they understood the reform plan "very well," and 35 percent understood it "somewhat well" (Exhibit 3). For firms with 11–50 workers—the group most affected by reform—corresponding figures are 18 percent and 43 percent. Jumbo firms, however, were significantly more likely than smaller firms to understand the reform plan very well (40 percent).

Figures for the percentage of small firms following the reform plan were similarly low (Exhibit 3). Again, jumbo firms were significantly more likely than smaller firms to be following the plan closely. However, there was no significant difference between firms offering and those not offering health benefits. This latter finding is somewhat surprising, given the requirement that all but the smallest firms either offer health benefits or pay a "fair share" contribution.

Just over half of employers correctly re-

EXHIBIT 3
Massachusetts Employers' Understanding And Following Of Health Care Reform Plan, 2007

	How well does firm understand health care reform plan?		How closely has firm been following health care reform plan?		Aware that reform plan requires all firms with 11 or more workers to offer a Section 125 cafeteria plan?[a]	
	Very well	Somewhat well	Very closely	Somewhat closely	Yes	No
Firms offering coverage[b]	17%	40%	16%	40%	55%	25%
Firms not offering coverage	–[c]	–[c]	12	32	46	35
3–10 workers	14[d]	35[d]	10[d]	36	45[d]	32[d]
11–50 workers	18	43	15	43	62[d]	25
51–999 workers	24[d]	55[d]	40[d]	42	75[d]	15[d]
1,000+ workers	40[d]	48	62[d]	32	84[d]	10[d]
All firms	17	40	15	38	53	28

SOURCE: Robert Wood Johnson Foundation/National Opinion Research Center Massachusetts Employer Benefits Survey, 2007.

[a] Numbers do not add to 100 percent because of "don't know/not sure" responses.

[b] Comparisons with firms not offering coverage revealed no significant differences at the 0.05 level.

[c] Not available.

[d] $p < 0.05$ for difference from all other firm sizes (pooled).

ported that "to the best of their knowledge," the legislation required all firms with eleven or more workers to offer a Section 125 cafeteria plan as of July 2007, with possible financial penalties for those that do not (Exhibit 3). Once again, the largest firms were significantly more likely than smaller firms to answer the question correctly. Whether or not the firm offered health benefits did not make a significant difference.

■ **Sources of information on health care reform legislation.** By far the most important source of information for employers on the health care reform legislation was the media (Exhibit 4). Firms with 51–999 workers were significantly more likely than other firm sizes to rely on the media as a source of information. The second most common source of information was a firm's broker or consultant. The larger the firm-size category, the more likely a broker or consultant was identified as a source of information. State agencies were next, followed by fiscal intermediaries and the Chamber of Commerce and the Associated Industries of Massachusetts. The smallest employers were significantly more likely than larger firms to rely on a fiscal intermediary, such as the Massachusetts Association of Businesses (Exhibit 4).

■ **Employers' views on responsibility for health insurance coverage.** The survey also sought to measure employers' views of various aspects of the reform plan, as well as attitudes toward health insurance coverage in general. Consistent with the spirit of reform, Massachusetts employers largely believe that "all employers bear some responsibility for providing health benefits to their workers." One-third of Massachusetts employers reported that they strongly agreed with the statement; another 43 percent somewhat agreed (Exhibit 5). A majority of small and large firms agreed with the statement. Firms not offering coverage were significantly less likely than offering firms to strongly agree with the statement. It is important to note, however, that even among firms not offering health benefits, a clear majority either strongly or somewhat agreed (Exhibit 5).

Massachusetts employers see even a greater

EXHIBIT 4
Employers' Sources Of Information On Massachusetts Health Care Reform Plan, 2007

	State agencies	Associated Industries of Massachusetts	Chamber of Commerce	Broker or consultant	Media	Fiscal intermediary (such as MA Association of Businesses)
Firms offering coverage	35%	19%	19%	54%[a]	76%	22%
Firms not offering coverage	37	17	20	31	81	24
3–10 workers	36	16	20	36[b]	80	30[b]
11–50 workers	33	16	17	61[b]	75	12[b]
51–999 workers	40	34[b]	21	76[b]	70[b]	12[b]
1,000+ workers	39	42[b]	12	88[b]	69	11[b]
All firms	36	19	19	48	77	23

SOURCE: Robert Wood Johnson Foundation/National Opinion Research Center Massachusetts Employer Benefits Survey, 2007.

[a] $p < 0.05$ for difference from firms not offering coverage.

[b] $p < 0.05$ for difference from all other firm sizes (pooled).

role for the public. A slightly higher percentage of employers agreed with the statement that "all individuals bear some responsibility for buying health insurance, if their income is above the poverty level": 37 percent of firms strongly agreed, and 46 percent somewhat

EXHIBIT 5
Massachusetts Employers' Views On Responsibility For Health Insurance Coverage (Percentage Agreeing With Various Statements), 2007

	"All employers bear some responsibility for providing health benefits to their workers"		"All individuals bear some responsibility for buying health insurance, if their income is above the poverty level"		"Employers with 10 or fewer workers should not be exempted from the requirement of either offering health benefits or paying the 'fair share' contribution"		"Employers with 11 or more workers that do not offer health benefits should be required to pay the 'fair share' contribution"	
	Strongly agree	Somewhat agree	Strongly agree	Somewhat agree	Strongly agree	Somewhat agree	Strongly agree	Somewhat agree
Firms offering coverage	41%[a]	42%	38%	45%	28%	31%[a]	39%[a]	37%
Firms not offering coverage	18	45	35	47	27	17	24	26
3–10 workers	31[b]	43	31[b]	50[b]	31[b]	24[b]	36	34
11–50 workers	39	40	44[b]	40	22[b]	33[b]	33	34
51–999 workers	44[b]	45	55[b]	34[b]	23	34[b]	38	36
1,000+ workers	33	53	52[b]	37	18[b]	28	34	40
All firms	34	43	37	46	28	27	35	34

SOURCE: Robert Wood Johnson Foundation/National Opinion Research Center Massachusetts Employer Benefit Survey, 2007.

NOTE: "Fair share" contribution is up to $295 per worker per year.

[a] $p < 0.05$ for difference from firms not offering coverage.

[b] $p < 0.05$ for difference from all other firm sizes (pooled).

agreed. Smaller firms were less likely than larger firms to strongly agree, while whether or not the firm offered health benefits made no significant difference.

With regard to specific aspects of the health care reform legislation, 28 percent of employers strongly agreed with the statement that employers with ten or fewer workers "should not be exempted from the requirement of either offering health benefits or paying the 'fair share' contribution," while another 27 percent somewhat agreed. Surprisingly, nonoffering firms did not differ significantly from offering firms in strongly agreeing with the statement, although they were less likely to "somewhat" support it (Exhibit 5). Another unexpected finding was that the smallest firms (3–10 workers) were significantly more likely than larger firms to strongly agree with this proposition.

Lastly, employer support for one of the fundamentals of the reform plan—that "employers with 11 or more workers that do not offer health benefits should be required to pay the 'fair share' contribution"—was quite high (Exhibit 5). Support did not differ significantly by firm size, although firms not offering health benefits were significantly less likely than offering firms to strongly agree with the statement. However, even among nonoffering firms, half either strongly or somewhat agreed with this core component of the reform plan.

■ **Employers and the Connector.** Small employers in Massachusetts are overwhelmingly unfamiliar with the Connector: Only 4 percent of small firms indicated that they were very familiar and 20 percent somewhat familiar (Exhibit 6). The larger the firm, the more likely that the employer indicated being very familiar with the agency. Firms offering coverage were more likely than nonoffering firms to indicate being very familiar with the Connector.

Among the few small firms indicating familiarity with the Connector, only about 19 percent indicated that they planned to purchase through it. Probably because of the small sample size for this question, there were no statistically significant differences among firms offering or not offering coverage (although the absolute differences were substantial). Any possible concern about the Connec-

EXHIBIT 6
Massachusetts Small Employers' Views On The Connector, 2007

	Familiar with Connector		Among firms familiar with Connector, percent of firms planning on purchasing health benefits through Connector[a]		"My firm would be uncomfortable buying health benefits through the Connector because it is a quasi-governmental agency"[b]	
	Very familiar	Somewhat familiar	Yes	No	Strongly agree	Somewhat agree
Firms offering coverage	5%[c]	20%	15%	62%	7%	20%
Firms not offering coverage	1	18	30	56	14	34
3–10 workers	3[d]	19	21	57	9	24
11–50 workers	7[d]	23	16	66	9	23
All small firms	4	20	19	60	9	23

SOURCE: Robert Wood Johnson Foundation/National Opinion Research Center Massachusetts Employer Benefits Survey, 2007.

NOTES: The Connector is the Commonwealth Health Insurance Connector Authority, a purchasing pool for small employers and individuals. Small firms have 3–50 workers.

[a] Numbers do not add to 100 percent because of "don't know/not sure" responses.

[b] Question was only asked of firms that were familiar with the Connector and that indicated either that they did not plan to buy health benefits through the Connector or that they were not sure.

[c] $p < 0.05$ for difference from firms not offering coverage

[d] $p < 0.05$ for difference from all other firm sizes (pooled).

tor because of its quasi-public status appears to be a minor factor in this decision. When asked, only 9 percent of small firms not planning on buying health benefits through the Connector strongly agreed that their firm "would be uncomfortable buying health benefits through the Connector because it is a quasi-governmental agency." "Better price" (data not shown) was the primary factor identified by employers as to why the firm planned to buy through the Connector. The major reason for not buying was that the employer was happy with its current plan (data not shown). In fact, only 10 percent of employers indicated that the administration of their current health plan was "very difficult" (data not shown).

■ **Unintended consequences.** Employers gave little evidence that "crowd-out" was occurring or planned. Less than 3 percent of Massachusetts employers with 3–50 workers (data not shown) said that it was very or somewhat likely that they would drop coverage in the next year. Only 5 percent of these firms indicated that it was very or somewhat" likely that the firm would restrict eligibility in the next year (data not shown). Figures for the United States are similar to those from Massachusetts.

There is, however, some evidence of potential wage offsets among firms not offering coverage.[9] We asked nonoffering firms if they were likely to limit pay raises for employees earning less than $29,400 a year, the limit for employees in firms not offering benefits for public subsidies (Exhibit 7). Sixteen percent of nonoffering firms said that this was very likely, and 12 percent responded that it was somewhat likely.

Firms offering coverage were asked the likelihood that the firm will change its contribution policy for family coverage as a result of the increase in dependents' eligibility age to twenty-six (Exhibit 7).

Discussion

Overall, Massachusetts employers hold viewpoints generally consistent with the spirit of health care reform and, in fact, would expand responsibility to firms now exempt from offering health benefits. A strong majority agrees that employers have a responsibility

EXHIBIT 7
Unintended Consequences Of Health Reform Legislation Among Massachusetts Employers, 2007

	Among firms not offering health benefits, how likely is firm to limit pay raises to maintain employee eligibility for subsidies?[a]		Among firms offering health benefits, how likely is firm to change contribution policy for workers with family coverage as a result of reform plan, so workers have to contribute a greater percentage of premium to cover spouse or dependents or both?	
	Very likely	Somewhat likely	Very likely	Somewhat likely
3–10 workers	17%	12%	7%	8%
11–50 workers	10	12	10	10
51–999 workers	–[b]	–[b]	6	9
1,000+ workers	–[b]	–[b]	3	6
All firms	16	12	8	9

SOURCE: Robert Wood Johnson Foundation/National Opinion Research Center Massachusetts Employer Benefits Survey, 2007.

NOTE: Tests found no significantly different estimates from all other firm sizes (pooled) at the 0.05 level.

[a] The reform plan includes subsidies for people in firms not offering health benefits who earn 300 percent of the federal poverty level or less—equaling $29,400 for an individual in 2006. As such, the question only was asked of firms not offering health benefits.

[b] Not sufficient data.

to provide health benefits to their workers. Even a majority of firms with 3–10 workers agree with this proposition, including firms not offering coverage. A majority of firms are supportive of the "fair share" provisions of the law. A majority of firms (including a majority of firms with 3–10 workers) agree that firms with fewer than eleven workers should not be exempted from paying the "fair share" contribution or offering health benefits.

Yet fewer than a quarter of small firms say that they understand the health care reform legislation "very well" or are following it "very closely." A minority of the smallest firms correctly answered the question about the requirement to offer a Section 125 cafeteria plan. Perhaps this lack of understanding about the reform plan leads to the greatest challenge currently: the Connector.

"Some critics assert that if health care reform cannot succeed in Massachusetts, it is unlikely to succeed in other states."

Some consider the Connector a critical aspect of the Massachusetts reform plan.[10] It has the potential to reduce administrative costs in the small-group and individual markets, expand plan choice, increase portability, and have health plans compete in a managed competition environment. But for the Connector to fully succeed, some employers must buy through the Connector, and to buy through the Connector, they must understand it. Only 4 percent of small employers are "very familiar" with the Connector, and another 20 percent are "somewhat familiar." A second major challenge for the Connector is that small firms in Massachusetts are satisfied with their current plans and do not see them as difficult to administer. Satisfied customers tend to remain with their vendors.

Serious "crowd-out" does not appear to be an immediate concern. Small Massachusetts firms are no more likely than firms nationally to consider dropping coverage or restricting eligibility in the next year, and the percentage of firms planning to do so is very small (3 percent and 5 percent, respectively). There is some evidence of wage offsets among firms not offering coverage for employees who are eligible for state subsidies for health coverage.

Although most observers of health care reform regard Massachusetts as a leading "laboratory of democracy," others view it as an atypical state—wealthier, healthier, better educated, and more politically liberal, with fewer uninsured residents than the United States as a whole. Consequently, some critics assert that if health care reform cannot succeed in Massachusetts, it is unlikely to succeed in other states. Yet elements of employer-based health insurance in Massachusetts render it less favorable to universal coverage than is true in the rest of the nation.

Health insurance is more expensive in Massachusetts, and costs increased more rapidly there in 2006 than they did nationwide. Employees pay on average almost twice as much in monthly contributions for single coverage as nationally, and this likely has a depressing effect on the take-up rate, which is lower than the national average. Higher worker contributions for single coverage reduce take-up for young, low-income, healthy males.[11] Massachusetts has a strong set of safety-net providers that make it easier for uninsured people to obtain care and, hence, provide a disincentive to purchase health insurance.[12] There are few low-premium, high-cost-sharing plans that may appeal to some younger, healthy workers.

By the fall of 2008, analysts will have initial findings as to how the employer community responded to health care reform about a year after its implementation. Did employers drop coverage? Or did reform, with its individual mandate, increase the importance of working for a firm offering coverage, thereby encouraging firms with fewer than eleven workers to provide coverage? Did it slow rising health care costs? Did employers use the Connector, and did they find its services superior to traditional distribution channels? Did small employers believe that health care reform was a worthy initiative? Early results are encourag-

ing, with no serious signs of crowd-out and employers seemingly comfortable with the objectives and spirit of reform. Stay tuned for forthcoming results.

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NOTES

1. U.S. Census Bureau, Housing and Household Economic Statistics Division, *Health Insurance Coverage: 2006*, "Table 8: Number and Percentages of People without Health Insurance Coverage by State Using Three-Year Average: 2004 to 2006," http://www.census.gov/hhes/www/hlthins/hlthin06/p60no233_table8.pdf (accessed 19 October 2007).
2. Blue Cross Blue Shield of Massachusetts Foundation, "Massachusetts Health Care Reform Bill Summary," 30 June 2006, http://www.bcbsmafoundation.org/foundationroot/en_US/documents/MassHCReformLawSummary.pdf (accessed 19 October 2007); and J. Holahan and L. Blumberg, "Massachusetts Health Care Reform: A Look at the Issues," *Health Affairs* 25 (2006): w432–w443 (published online 14 September 2006; 10.1377/hlthaff.25.w432).
3. The interviewing of employers began in January 2007 and ended in July. On 1 July, all employers with eleven or more full-time-equivalent (FTE) employees in Massachusetts were required to offer a Section 125 plan. On 1 October, employers must make a "fair and reasonable" contribution toward an employee health plan or pay up to $295 per year per employee.
4. Both the RWJF/NORC and Kaiser/HRET surveys include single and multisite firms.
5. National numbers are from 2006.
6. Many small employers may be unaware of the simplicity and tax benefits of Section 125. The effect of not offering Section 125 benefits is that workers pay for premiums with after- rather than before-tax income.
7. COBRA allows former employees, retirees, and their spouses to purchase coverage at group rates from the former employer for eighteen months following termination of employment.
8. COBRA does not apply to firms with fewer than twenty workers.
9. "Wage offsets" refers to the actions of employers to offset the increased cost of a government mandate by reducing wages. In this case, employers that previously did not offer insurance are compensating for the mandated cost of contributions for health insurance by paying lower wages than firms would if there were no requirement to contribute for health insurance.
10. E. Haislmaier and N. Owcharenko, "The Massachusetts Approach: A New Way to Structure State Health Insurance Markets and Public Programs," *Health Affairs* 25, no. 6 (2006): 1580–1590.
11. S. Long and M.S. Marquis, "Low-Wage Workers and Health Insurance Coverage: Can Policymakers Target Them through Their Employers?" *Inquiry* 38, no. 3 (2001): 331–337; and P. Cunningham, E. Schaefer, and C. Hogan, "Who Declines Employer-Sponsored Health Insurance and Is Uninsured?" Issue Brief no. 22, October 1999, http://www.hschange.org/CONTENT/46 (accessed 23 October 2007).
12. See L. Felland, D. Draper, and A. Liebhaber, "Massachusetts Health Reform: Employers, Lower-Wage Workers, and Universal Coverage," Issue Brief no. 113, July 2007, http://www.hschange.org/CONTENT/939 (accessed 23 October 2007).